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OCTOBER 1948



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The CREDIT WORLD

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Volume 37

OCTOBER, 1948

Number 1

In This Issue

Three Feature Articles

Regulation W PAGE 4

Federal Reserve Board

Business, A Guess, A Gamble, Or a Guarantee 12

A. A. Nicholson

The Credit Clinic 16

Banff Conference

Five Other Highlights

There Is No Magic in a Credit Report (Frank E. Morriss) 10

Why I Attend National Conferences (Stella Manning) 10

Credit Flashes 20

Letters 21

Credit Bureau Musts 29

Eight Departments

Credit Department Letters W. H. Butterfield 22

Credit and Collection Procedure Research Division 24

Collection Scoreboard Research Division 26

Monthly Credit Statistics Federal Reserve Board 27

Granting Credit in Canada C. B. Flemington 28

Business Conditions and Outlook LaSalle Extension 30

In the News Selected 31

Editorial Comment Dean Ashby 32



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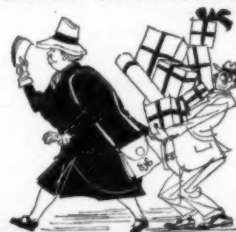


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REGULATION W

CONSUMER INSTALMENT CREDIT*

Effective September 20, 1948

SECTION 1. SCOPE AND APPLICATION OF REGULATION

THIS REGULATION is issued by the Board of Governors of the Federal Reserve System (hereinafter called the "Board") under authority of section 5(b) of the Act of October 6, 1917, as amended, Executive Order No. 8843, dated August 9, 1941 (hereinafter called the "Executive Order"), and Public Law 905, approved August 16, 1948.

The regulation applies, in general, to any person who is engaged in the business of making extensions of instalment credit in amounts of \$5,000 or less, or discounting or purchasing obligations arising out of such extensions of credit. It applies whether the person is a bank, loan company, or finance company, or a person who is so engaged in connection with any other business, such as by making such extensions of credit as a dealer, retailer, or other person in connection with the selling of consumers' durable goods.

SECTION 2. GENERAL REQUIREMENTS AND REGISTRATION

(a) **General Requirements.**—Each person engaged in the business of making instalment sales¹ or instalment loans,² or engaged in the business of lending on the security of or discounting or purchasing obligations arising out of such extensions of credit, is referred to in this regulation as a "Registrant"; and no Registrant shall make or receive any payment which constitutes or arises directly or indirectly out of any such extension of credit made by him or out of any such obligation lent on or discounted or purchased by him, except on the following conditions:

(1) He must have a license, and each Registrant is hereby granted such a license, but such license of a Registrant may be suspended in the manner and on the grounds stated in section 8(b); and

(2) The extension of credit made, renewed, revised or consolidated by him, or giving rise to the obligation discounted or purchased by him or acquired by him as collateral, must comply with the applicable requirements of this regulation.

(b) **Registration.**—Within 60 days after the effective date of this regulation, or 60 days after he becomes subject to section 2(a), whichever is later, each Registrant shall file, with the Federal Reserve Bank or any branch thereof in the district in which the main office of the Registrant is located, a registration statement on a form obtainable from any Federal Reserve Bank or branch. *Such statement shall be filed regardless of whether or not the Registrant had filed such a statement under Regulation W as in effect prior to November 1, 1947.*

SECTION 3. INSTALMENT SALES: GENERAL RULES

Except as otherwise permitted by this regulation,

*This regulation shall apply to extensions of credit made, renewed, revised or consolidated on or after the effective date.

¹It is to be noted that "instalment sale" is defined to include only instalment credit arising out of the sale of an article listed in the Supplement, hereinafter called a "listed article."

²Both "instalment sale" and "instalment loan" are defined to exclude credits in a principal amount exceeding \$5,000.

each instalment sale shall comply with the following requirements:

(a) **Down Payment and Maturity.**—There shall be a down payment not less than that specified for the listed article in the Supplement, such down payment to be calculated as therein specified; and the maturity shall not exceed that specified for the listed article in the Supplement.

(b) **Amounts and Intervals of Instalments.**—Except as permitted by section 6(a) for seasonal incomes, the time balance shall be payable in instalments which shall be (1) substantially equal in amount or so arranged that no instalment is substantially greater than any preceding instalment, (2) payable at approximately equal intervals not exceeding one month, and (3) not less than \$5.00 per month or \$1.25 per week on the aggregate instalment indebtedness of one debtor to the same creditor.

(c) **Statement of Transaction.**—The instalment sale shall be evidenced by a written instrument or record which shall set forth the information specified in section 6(c).

SECTION 4. INSTALMENT LOANS: GENERAL RULES

Except as otherwise permitted by this regulation, each instalment loan shall comply with the following requirements:

(a) **Instalment Loans to Purchase Listed Articles.**—If the Registrant knows or has reason to know that the proceeds of an instalment loan are to be used to purchase any listed article:

(1) The principal amount lent (excluding any interest or finance charges and the cost of any insurance) shall not exceed the maximum loan value specified for the article in the Supplement, such loan value to be calculated as therein specified; and

(2) The maturity shall not exceed the maximum maturity specified for the listed article in the Supplement.

(b) **Unclassified Instalment Loans.**—In the case of an instalment loan which is not subject to section 4(a), the maximum maturity shall not exceed the maximum maturity specified therefor in the Supplement.

(c) **Amounts and Intervals of Instalments; Record.**—Whether subject to section 4(a) or section 4(b), the instalment loan, except as permitted by section 6(a) for seasonal incomes, shall be payable in instalments which shall be (1) substantially equal in amount or so arranged that no instalment is substantially greater in amount than any preceding instalment, (2) payable at approximately equal intervals not exceeding one month, and (3) not less than \$5.00 per month or \$1.25 per week on the aggregate instalment indebtedness of one debtor to the same creditor. It shall be evidenced by a written instrument or record which shall set forth the terms of payment.

(d) **Statement of the Borrower.**—No Registrant shall make any instalment loan subject to section 4(a) or 4(b) unless he shall have accepted in good faith a signed *Statement of the Borrower* as to the purposes of the loan. Such Statement shall state whether or not any of the proceeds of the loan are to be used to make a down payment on the purchase of a listed article or to be used to purchase any listed article, and if any of the proceeds of the loan are to be used for the latter purpose such Statement shall identify such listed article and shall state the cash price thereof and the value of any trade-in. If a Registrant relies in good faith on the facts set out by the obligor in such Statement, it shall be deemed to be correct for the purposes of the Registrant.

(e) **Loans to Make Down Payments Prohibited.**—A Registrant shall not make any instalment loan if he knows or has reason to know that any part of the proceeds thereof is to be used to make a down payment on the purchase price of any listed article.

SECTION 5. RENEWALS, REVISIONS AND ADDITIONS

(a) **General Requirements.**—In the case of an instalment sale or instalment loan which results from a renewal or revision of any such credit already outstanding, or which results from the combination of any such outstanding credit with an additional extension of instalment credit, the renewed, revised or consolidated obligation shall (regardless of when the outstanding credit originated) comply with all the requirements of this regulation as if it were a new extension of credit except that:

(1) The requirements as to Statement of Borrower and down payment or maximum loan value, if any, shall not apply to the outstanding credit already held by the Registrant; and

(2) The renewed, revised or consolidated obligation may, in so far as the maturity and instalment requirements are concerned, be treated as if it were a new credit with the maximum maturity calculated from the date of the renewal, revision or consolidation. The payments on such renewed, revised, or consolidated obligation shall not be less than \$5.00 per month or \$1.25 per week on the aggregate instalment indebtedness of one debtor to the same creditor.

(b) **Statement of Changed Conditions.**—Notwithstanding any other provision of this regulation, if a Registrant accepts in good faith a *Statement of Changed Conditions* as provided in the following paragraph, an extension of instalment credit that refinances any outstanding obligation (whether or not such obligation is held by the Registrant or is itself payable in instalments) may have a maturity not exceeding that specified in the Supplement for refinancing pursuant to such Statements, but such maturity shall be applicable only to the credit refinanced. The payments on the credit refinanced need not be as large as \$5.00 per month or \$1.25 per week.

The requirements of a *Statement of Changed Conditions* will be complied with only if the Registrant accepts in good faith a written statement signed by the obligor that the contemplated refinancing is necessary in order to avoid undue hardship upon

the obligor or his dependents resulting from contingencies that were unforeseen by him at the time of obtaining the original extension of credit or which were beyond his control, which statement also sets forth briefly the principal facts and circumstances (1) with respect to the original extension of credit and (2) with respect to such contingencies, and specifically states in addition that the contemplated refinancing is not pursuant to a preconceived plan or an intention to evade or circumvent the requirements of this regulation.

(c) **Bona Fide Collection Effort; Servicemen's Pre-induction Debt.**—Nothing in this regulation shall be construed to prevent any Registrant from making any renewal or revision, or taking any action that he shall deem necessary in good faith (1) for the Registrant's own protection in connection with any obligation which is in default and is the subject of *bona fide* collection effort by the Registrant, or (2) with respect to any obligation of any member or former member of the armed forces of the United States incurred prior to his induction into such service.

SECTION 6. CERTAIN TECHNICAL PROVISIONS

(a) **Special Payment Schedules for Seasonal Incomes.**—If the income received by an obligor from the main sources of his income customarily fluctuates materially from month to month or from season to season, the payment schedule may be adapted, within the applicable maximum maturity, to such customary flow of income, provided the obligation complies with one or the other of the following re-

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Losses paid to December 31, 1947	422,207,611

quirements: (1) at least half of the credit is to be repaid within the first half of the applicable maximum maturity; or (2) payments are reduced or omitted in not more than 4 months of any calendar year but are otherwise in equal monthly amounts. In all such cases, a statement of the facts relied upon shall be preserved in the Registrant's files for the life of the obligation.

(b) **Calculating Maximum Maturity of Contract.**—In calculating the maximum maturity of an instalment sale or instalment loan, a Registrant may, at his option, use any date not more than 15 days subsequent to the actual date of the sale or loan.

(c) **Record of Instalment Sale.**—The instrument or record evidencing an instalment sale pursuant to section 3(c) shall set forth (in any order) the following information:

(1) A brief description identifying the article purchased;

(2) The cash price of the article;

(3) The amount of the purchaser's down payment (i) in cash and (ii) in goods accepted in trade, together with a brief description identifying such goods and stating the monetary value assigned thereto in good faith;

(4) The amount of any insurance premium for which credit is extended and of any finance charges or interest by way of discount included in the principal amount of the obligation, or the sum of these amounts;

(5) The time balance owed by the purchaser, which is the sum of items (2) and (4) minus item (3); and

(6) The terms of payment.

The instrument or record need not include a description of the article if it is purchased by means of a *coupon book* or similar medium of instalment credit upon which there has been made a cash down payment at least as great as the highest down payment required by this regulation on any article sold by the Registrant. The instrument or record need not include the information called for by items (2) and (4) if the Registrant is one who quotes to the public a *time price* for the article which includes the finance charge if any, provided he sets forth such time price in such instrument or record, and provided he obtains a cash down payment which is at least as large as would be required if the percentage specified for the article in the Supplement were applicable to the time price.

(d) **Extension of Credit for Mixed Purposes.**—In case an extension of credit is partly subject to one section of this regulation and partly subject to another section, the amount and terms of such extension of credit shall be such as would result if the credit were divided into two or more parts and each part were treated as if it stood alone. In case an extension of credit is partly subject to this regulation and partly not subject to the regulation, the amount and terms of such extension of credit shall be such as would result if the credit were divided and the part subject to the regulation were treated according to the applicable provisions of the regulation; the part

not subject to the regulation may be treated as if the regulation did not exist.

(e) **"Lay-away" Plans.**—With respect to any extension of credit involving a *bona fide* "lay-away" plan, or other similar plan by which a purchaser makes one or more payments on an article before receiving delivery thereof, the Registrant may, for the purposes of this regulation, treat the extension of credit as not having been made until the date of the delivery of the article to the purchaser.

(f) **Mail Orders.**—An instalment sale shall not be deemed to be in violation of the down payment requirement of section 3(a) if the sale is made upon the receipt of a mail order for one or more articles and the cash deposit received with the order fails by less than \$1.00 to equal the sum of the down payments required by this regulation for all of the articles included in the order.

(g) **Delivery in Anticipation of Instalment Sale.**—In case a listed article is delivered in anticipation of an instalment sale of that article or a similar article (such as a delivery "on approval," "on trial," or as a "demonstrator"), the Registrant shall require, at or before the time of such delivery, a deposit equal to the down payment that would be required on such an instalment sale.

(h) **Sets and Groups of Articles.**—In determining whether an article is a "listed article," the word "article" shall be deemed to include any set, group or assembly commonly considered, sold or used as a single unit, if the component parts thereof are sold or delivered at substantially the same time.

(i) **Evasive Side Agreements.**—No extension of credit complies with the requirements of this regulation if at the time it is made there is any agreement, arrangement, or understanding (1) by which the obligation is to be renewed or revised on terms which would permit final payment to be deferred beyond the date permitted by this regulation for such credit at its inception, or (2) by which the obligor is to be enabled to make repayment on conditions inconsistent in any other respect with those required by this regulation, or (3) by which there is to be any evasion or circumvention, or any concealment of any evasion or circumvention, of any requirement of this regulation.

(j) **Side Loan to Make Down Payment.**—A Registrant shall not make an extension of instalment credit to finance the purchase of any listed article if he knows or has reason to know that there is, or that there is to be, any other extension of credit of any kind in connection with the purchase of the listed article which would bring the *total amount* of credit extended in connection with such purchase beyond the amount of instalment credit permitted by this regulation; but, if the Registrant accepts in good faith a written statement signed by the obligor that no such other extension exists or is to be made, such statement shall be deemed to be correct for the purposes of the Registrant.

(k) **Purchase of Article in Lieu of Trade-in.**—Anything which the seller of a listed article buys, or arranges to have bought, from the purchaser or at

or about the time of the purchase of the listed article shall be regarded as a trade-in for the purposes of this regulation.

(2) **Misuse of Coupon Plans.**—No coupon, ticket or similar medium of credit, whether paid for in instalments or otherwise, shall be accepted by any Registrant in payment, in whole or in part, for any listed article if such acceptance, in effect, would permit the article to be sold on terms not complying with the requirements of this regulation.

SECTION 7. EXEMPT CREDITS

This regulation shall not apply to any of the following:

(a) **Business or Agricultural Loans.**—Any loan for business purposes to a business enterprise or for agricultural purposes to a person engaged in agriculture, provided the loan is not for the purpose of purchasing a listed article.

(b) **Credit to Dealers and Certain Salesmen.**—Any extension of credit to a wholesaler or retailer to finance the purchase of any article for resale, or any extension of credit which is made to a *bona fide* salesman of automobiles in order to finance the purchase of a new automobile to be used by him principally as a demonstrator.

(c) **Credit to Governmental Agencies, Religious Institutions, etc.**—Any extension of credit to the Federal Government, any State government, any political subdivision, or any department, agency or establishment thereof, or to any church, hospital, clinic, sanitarium, school, college, or other religious, educational, charitable, or eleemosynary institution.

(d) **Credits Under Government Rehabilitation and Readjustment Programs.**—Any extension of credit (1) made by the Land Bank Commissioner on behalf of the Federal Farm Mortgage Corporation or by any Federal land bank and found, pursuant to regulations issued by the Commissioner, to be necessary to maintain or increase production of essential agricultural commodities, (2) made or insured by the Farmers' Home Administration, (3) made in accordance with the regulations of the Secretary of the Interior for the economic development or rehabilitation of Indians, (4) made under section 4(a) (4) of the Reconstruction Finance Corporation Act, as amended, because of floods or other catastrophes, or (5) made, guaranteed or insured in whole or in part by the Administrator of Veterans' Affairs pursuant to the provisions of Title III of the Servicemen's Readjustment Act of 1944, or by any State agency pursuant to similar State legislation.

(e) **Loans to Pay Fire and Casualty Insurance Premiums.**—Any loan to finance a premium in excess of one year on a fire or casualty insurance policy, if the loan is fully secured by the unearned portion of such premium.

(f) **Credit for Purchasing Securities.**—Any extension of credit which is subject to the Board's regulations under the Securities Exchange Act of 1934 or which is otherwise for the purpose of purchasing or carrying stocks, bonds, or other investment securities.

(g) **Real Estate and Home Improvement Loans.**—Any extension of credit which is for the purpose of financing or refinancing (1) the construction or purchase of an entire residential building or other entire structure or (2) repairs, alterations, or improvements upon urban, suburban or rural real property in connection with existing structures, *except* to the extent that such repairs, alterations, or improvements incorporate any listed article.

(h) **Loans to Meet Medical Expenses, etc.**—Any loan as to which the Registrant accepts in good faith a written statement signed by the borrower certifying that the proceeds are to be used for *bona fide* educational, medical, hospital, dental, or funeral expenses, or to pay debts incurred for such expenses, and that such proceeds (unless they are to be used exclusively for educational expenses) are to be paid over in amounts specified in such statement to persons whose names, addresses, and occupations are stated therein.

(i) **Disaster Credits.**—Any extension of credit to finance the repair or replacement of property damaged or lost as a result of a flood or other similar disaster which the Federal Reserve Bank of the district in which the disaster occurred finds has created an emergency affecting a substantial number of the inhabitants of the stricken area, provided such extension is made prior to the end of the sixth calendar month following the month in which the disaster occurred and a statement describing the damage or loss is preserved in the Registrant's files.

SECTION 8. MISCELLANEOUS PROVISIONS; DEFINITIONS

(a) **Preservation of Records; Inspections.**—Every Registrant shall preserve, for the life of the obligation to which they relate, such books of account, records, and other papers (including any statements required by or obtained pursuant to this regulation) as are relevant to establishing whether or not an extension of credit within the scope of this regulation was in conformity with the requirements thereof, provided, however, that the Registrant may preserve photographic reproductions in lieu of such books of account, records or papers.

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this regulation, every Registrant shall permit the Board or any Federal Reserve Bank by its duly authorized representatives, to make such inspections of his business operations as the Board or Federal Reserve Bank may deem necessary or appropriate, including inspections of books of account, contracts, letters or other relevant papers wherever located, and, for such purpose, shall furnish such reports as the Board or the Federal Reserve Bank may require. When ordered to do so by the Board, every Registrant shall furnish, under oath or otherwise, such information relative to any transaction within the scope of the authority cited in section 1 as the Board may deem necessary or appropriate for such purpose, including the production of books of account, contracts, letters or other papers in the custody or control of such person.

(b) **Suspension of License.**³—The license of any Registrant may, after reasonable notice and opportunity for hearing, be suspended by the Board, in its entirety or as to particular activities or particular offices or for specified periods, because of any willful or negligent failure to comply with any provision of this regulation or any requirement of the Board pursuant thereto.

A license which is suspended for a specified period will again become effective upon the expiration of such period. A license which is suspended indefinitely may be restored by the Board, in its discretion, if the Board is satisfied that its restoration would not lead to further violations of this regulation and would not be otherwise incompatible with the public interest.

(c) **Enforceability of Contracts.**—Except as may subsequently be otherwise provided, all provisions of this regulation are designated, pursuant to section 2(d) of the Executive Order, as being "for administrative purposes" within the meaning of said section 2(d), which provides that noncompliance with provisions of the regulation so designated shall not affect the right to enforce contracts.

(d) **Clerical Errors.**—Any failure to comply with this regulation resulting from a mistake in determining, calculating, or recording any price, down payment, or extension of credit, or other similar matter, shall not be construed to be a violation of this regulation if the Registrant establishes that such failure to comply was the result of excusable error and was not occasioned by a regular course of dealing.

(e) **Non-Compliance Due to Facts Outside Registrant's Knowledge.**—The prohibitions of this regulation shall not apply to a Registrant with respect to any failure to comply with this regulation in connection with (1) an extension of credit made by him if, at the time he made it, he did not know or have

reason to know any fact by reason of which such extension failed to comply; (2) an obligation purchased, discounted or acquired as collateral by him if, when he purchased or discounted the obligation or acquired it as collateral, the obligation did not show on its face any failure to comply and he did not know any fact by reason of which the extension of credit giving rise to the obligation failed to comply; or (3) an obligation renewed, revised, or consolidated by him if, at the time when he renewed, revised or consolidated it, he did not know or have reason to know any fact by reason of which such renewal, revision or consolidation failed to comply. With respect to any loan on the security of an obligation which arises out of an extension of credit subject to this regulation, the prohibitions of this regulation shall be deemed to apply only to payments arising out of the obligation rather than to payments arising out of the loan.

(f) **Transactions Outside United States.**—Nothing in this regulation shall apply with respect to any extension of credit made in Alaska, the Panama Canal Zone, or any territory or possession outside the continental United States.

(g) **Right of Registrant to Impose Stricter Requirements.**—Any Registrant has the right to refuse to extend credit, or to extend less credit than the amount permitted by this regulation, or to require that repayment be made within a shorter period than the maximum permitted by this regulation.

(h) **Definitions.**—For the purposes of this regulation, unless the context otherwise requires:

(1) "**Person**" means an individual, partnership, association, or corporation.

(2) "**Registrant**" has the meaning given it in section 2(a).

(3) "**Extension of Credit**" has the meaning given it in the Executive Order.⁴

(4) "**Instalment Credit**" means an extension of credit which the obligor undertakes to repay in two or more scheduled payments or as to which the obligor undertakes to make two or more scheduled payments or deposits usable to liquidate the credit, or which has a similar purpose or effect.

(5) "**Instalment Sale**" means an instalment credit in a principal amount of \$5,000 or less which is made as principal, agent or broker, by any seller of any consumers' durable goods listed in the Supplement to this regulation (herein called a "listed article") and which arises out of a sale of such listed article. For this purpose, "sale" includes a lease, bailment, or other transaction which is similar in purpose or effect to a sale.

³In addition, the authority cited in section 1 authorizes the Board to institute court proceedings to restrain violations and to compel compliance with the regulation or any order of the Board made in pursuance thereof. Furthermore, any Registrant who willfully violates or knowingly participates in a violation of this regulation is subject to the penalties prescribed in section 5(b) of the Act of October 6, 1917, as amended, which reads in part as follows: "Whoever willfully violates any of the provisions of this subdivision or any license, order, rule, or regulation issued thereunder, shall, upon conviction, be fined not more than \$10,000, or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both."

⁴The pertinent part of the Executive Order reads as follows: "Extension of credit" means any loan or mortgage; any instalment purchase contract, any conditional sales contract, or any sale or contract of sale under which part or all of the price is payable subsequent to the making of such sale or contract; any rental-purchase contract, or any contract for the bailment or leasing of property under which the bailee or lessee either has the option of becoming the owner thereof or obligates himself to pay as compensation a sum substantially equivalent to or in excess of the value thereof; any contract creating any lien or similar claim or property to be discharged by the payment of money; any purchase, discount, or other acquisition of, or any extension of credit upon the security of, any obligation or claim arising out of any of the foregoing; and any transaction or series of transactions having a similar purpose or effect.

(6) "Instalment Loan" means an instalment credit, other than an instalment sale, in the form of a loan which is in a principal amount of \$5,000 or less; but the definition does not include any loan upon the security of any obligation which arises out of any instalment sale or instalment loan.

(7) "Cash Price" means the *bona fide* cash purchase price of an article, including the *bona fide* cash purchase price of any accessories, any *bona fide* delivery, installation and service charges (other than interest, finance or insurance charges), and any applicable sales taxes.

(8) "Principal Amount" in the case of an instalment sale means the total amount to be paid under the obligation minus the finance charge, and in the case of an instalment loan means the amount lent exclusive of interest (whether or not such interest is deducted in advance).

SUPPLEMENT TO REGULATION W

Part 1. Listed Articles, Down Payments, Loan Values.—For the purpose of Regulation W, the following articles, whether new or used, are "listed articles," and the following required down payments and maximum loan values are prescribed (such down payments and loan values to be calculated as specified in Parts 4 and 5 of this Supplement); but no article having a cash price of less than \$50.00 shall be considered a listed article:

Group A—33⅓ per cent minimum down payment, 66⅔ per cent maximum loan value:

1. Automobiles (passenger cars designed for the purpose of transporting less than 10 passengers, including taxicabs).

Group B—20 per cent minimum down payment, 80 per cent maximum loan value:

1. Cooking stoves and ranges, designed for household use.
2. Dishwashers, mechanical, designed for household use.
3. Ironers designed for household use.
4. Refrigerators, mechanical, of less than 12 cubic feet rated storage capacity (including food freezers).
5. Washing machines designed for household use.
6. Combination units incorporating any listed article in the foregoing classifications of this Group B.
7. Air conditioners, room unit.
8. Radio or television receiving sets, phonographs, or combinations.
9. Sewing machines designed for household use.
10. Suction cleaners designed for household use.
11. Furniture, household (including ice refrigerators, bed springs, mattresses and lamps); and floor coverings, soft surface.

Part 2. Maturities.—The maximum maturity for all listed articles and for unclassified instalment loans is 15 months in case the extension of credit is in a principal amount of \$1,000 or less and 18 months in case the extension of credit is in a principal amount of more than \$1,000, except that when such principal amount is more than \$1,000 the instalment payments shall not be less than \$70 per month.

Part 3. Refinancing Pursuant to Statement of Changed Conditions.—The maximum maturity of any refinancing pursuant to a Statement of Changed Conditions as specified in section 5(b) shall be 20 months.

Part 4. Calculation of Down Payments for Automobiles.—The maximum loan value of any automobile shall be the specified percentage of the cash price or of the "appraisal guide value," whichever is lower, and the required down payment shall be the difference between the cash price and the maximum loan value as so calculated. Such required down payment in the case of an automobile may be obtained in the form of cash, trade-in, or both.

"Appraisal guide value" means the estimated average retail value as stated in the current edition of any regularly published automobile appraisal guide that the Board designates for this purpose for use in the territory in which such automobile is sold, plus any applicable sales taxes. Information as to the guide or guides designated for any given territory may be obtained from any Federal Reserve Bank or branch.

Part 5. Calculation of Down Payments for Articles in Group B.—If any article is traded in by the purchaser on an article listed in Group B, the required down payment and the maximum loan value shall be the specified percentage of the *net price* of the article after deducting from the cash price the amount allowed for the trade-in; and such down payment shall be obtained in cash in addition to the trade-in. ★★★

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★ ★ ★

NATIONAL RETAIL CREDIT ASSOCIATION

Shell Building

St. Louis 3, Mo.

CREDIT WORLD
OCTOBER 1948

There Is No Magic in a Credit Report

THERE IS NO magic in a credit report. It may be a good, bad, or medium report, and the best that the credit manager may be able to obtain, due to the faults of several vitally interested parties. Incompetence or negligence on the part of some credit bureau employee, failure on the part of credit managers to see that their store's experience on a risk has been properly given to the bureau, or the slick ability of the credit subject to have blinded all of whom he asks credit to some of his shortcomings, are some of the reasons for sub-standard reports.

Credit management is a profession and a science. A good credit manager treats his position as a scientific one where credit reports are concerned. Science is the business of getting facts and putting them together so that they spell out the truth.

A credit manager needs to have a number of qualifications, such as the ability to judge people, and to lead them to become friends of his business. He should know commercial law in order better to handle those accounts that might come to be dealt with in law. There are many other human qualities that a credit manager needs to possess. To handle his job of lending his concern's money, so to speak, the basis of it all is a knowledge of the person with whom he is dealing as gathered in the experiences of those in the community who have known and had experiences and dealings with the subject. The more accurately factual the credit report (the foundation of all credit

granting), the better super-structure a credit manager can build on it.

Since, in this country, everyone's record is written from the cradle to the grave, if all who have to deal with credit seekers do their part, there should be no trick in having an accurate picture of each person seeking credit. The person asking for the extension of credit, if there is no slip-up, must give full information regarding himself. It is possible for any part of the credit applicant's record to fool only those credit granters who do not know how to check on it. An honest person is not ashamed of his record. A person trapped by his dishonesty, or by any other crime, can rest assured it will show up in the record, both from a credit standpoint, and from the police departments of the city, county, state and nation.

We expect the local credit bureau to have the complete up-to-date record of any person seeking credit. The credit manager must see that every whit of information available on each subject goes into the record of every person seeking credit or granted credit by his concern. If you and all credit managers do that, there will be no cry about inadequate, unsatisfactory credit reports. There is no magic in a credit report, but when it is properly factual it is more than magic.—Frank E. Morriss, *Executive Secretary*, Texas Retail Dry Goods Association, Dallas, Texas. ★★★

Why I Attend National Conferences

IF I WERE asked the question, "Is attending National and International credit conferences advantageous?", I would reply definitely in the affirmative. It has been my privilege to attend five National and International conferences so I can speak with some authority.

I attended my first National Conference of the National Retail Credit Association in San Antonio in 1940, the second in New York in 1941, the third in Cleveland in 1946, the fourth in St. Louis in 1947, and last but not least, the International Credit Conference in Banff, Alberta, Canada, last June.

There are three ways to attend these conferences: first, attend only the business sessions; second, attend the business and entertainment provided; and third, attend only the entertainment sessions. Personally, I choose the second and attended all the business sessions and took advantage of the entertainment provided.

Nowhere else could one hear such outstanding speakers as are always assembled for these meetings. There one hears both men and women who are authorities on credit and economics. Deans of their profession, they are men and women who are successful in handling credits and collections for their firms or for themselves. Their success is no secret. They seemed eager to pass their experiences on to the members and to give helpful informa-

tion that might aid others to also be successful. Dull and stupid indeed would be the person who could not bring back some idea or plan that would be advantageous to his or her firm.

The open forums arranged for each particular line of business are the most helpful of all the meetings in my way of thinking. There one feels free to discuss one's problems and learn how they are handled by others. Representatives from Texas to Maine; and from Florida to California are in attendance and one can readily see whether he or she is in line or out of step. There is an intimacy in these forums one finds in no other part of the conference. The ready-to-wear and department store group forums which I attended at Banff were ably led by W. E. Ryan, Broadway Department Store, Los Angeles, Calif., Rex A. Smith, Ben Simon and Sons, Lincoln, Neb., and W. J. Tate, Bryson-Graham Co., Ltd., Ottawa, Ontario, Canada. I understand that the consensus of opinion of the entire conference was that these forums were so well attended, and the ideas so freely exchanged and experiences related.

If my feeble efforts to tell you about National Credit Conferences have not convinced you, try attending in Boston, Mass., June 20-23, 1949 and find out for yourself.—Stella Manning, *Credit Manager*, The Fashion, Beaumont, Texas. ★★★



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I AM CONVINCED that in the membership of the National Retail Credit Association there are men and women who have spent a large part of their business lives in fighting to make the credit man a professional man. In the wake of this outstanding international conference on credits these individuals must receive a vast amount of psychic satisfaction in recognizing the fruits of their efforts.

Out of the 33,000 vocational and professional groups in the United States there is none that played a more important part in our current standards of living or none that is destined to play an important role in the future progress and prosperity of the nation than the professional credit man. His contribution in the past has been immeasurable, yet this is only a shadow of what will be expected of him in the future. The magnitude of his task is reflected by the fact that under the driving necessity of war in the United States, we have been able to produce over two hundred billion dollars worth of goods and services within twelve months, and ninety per cent of the transposition of those goods and services still is predicated upon the issue of credit.

For years I have tried to analyze the professional credit man and invariably I come right back from where I started. He is an outstanding professional executive, possessing some outstanding characteristics. He is an analyst, an economist, and a super salesman. He has the curiosity of a cat and the tenacity of a bulldog. He possesses the friendliness of a little child and the diplomacy of a wayward husband. He reflects the patience of a self-sacrificing wife combined with the enthusiasm of a Sinatra fan. He radiates the assurance of a Harvard man coupled with the good humor of a comedian and personifies the simplicity of a mule injected with the tireless energy of a Fuller Brush man. He is not a necessary evil; he is an absolute adjunct to the structure of business. And by virtue of having pulled himself up by his own professional bootstraps, he is today being recognized as topflight management.

Today we are not living in the world of yesterday or the world of the war or the world of the future. We are living in a world that is bruised, battered, broken-hearted, bewildered and befuddled; a world that clutches onto the sobs and sighs and paralyzing fears; a world that becomes a cradle point of propaganda, communism, socialism, Fascism, and Naziism. Failure on the part of man to realize and recognize that this brings the unstable, insecure structure of vacillating humanity, which

we still optimistically call civilization, is but the sum total of individual thinking and acting. By virtue of his nearsightedness and dilatory contribution in the past, he is now being rudely awakened to the tall realization that he is a helpless victim in a bloody and brutal world; a world that is not only rocked by the horrors of war but a world that reeks and seeths with the filthy stench of a social ferment and a world in which man, if he is to survive, must begin to change his *modus operandi* of thinking and acting. Today, human efforts and human relationships are badly complicated and distorted by these irresistible crosscurrents in social, political and economic thinking. Unseen, though powerful magnetic forces are constantly pulling at one another and though the shooting may be over, yet the struggle goes on just the same, the struggle for ideals. The underlying issue, however, is relatively clear and the issue as to whether or not man, after groping and groping through countless centuries is going to be hurdled back into the grip of totalitarian forces. This social foment and ferment did not happen overnight. This thing has been in the brew for more than 50 years but was definitely precipitated with the termination of World War No. 1 when the entire civilized world was completely thrown out of economic gear. In the wake of this colossal catastrophe was not only left an incomprehensible debt but the spawn of a social ferment that would be hatched out into a holocaust beyond anything the human mind had ever dreamed of.

Social and Political Doctrine in Russia

For a long time there existed in Russia a radical, social and political doctrine brought about by abject poverty and political repression and when the optimum point of the postwar problem became acute, the Soviets lurched into power. This pattern was cut after the Marxian plan which meant that capital became the accursed thing and the state became the alpha omega of all human effort and all human existence. Russia was not the exception. In Italy, labor and financial dislocations were rampant which gave birth to the corporated state and which was, though not exactly in detail, yet in principle, comparable with the new order in Russia. Here the state became supreme and Mussolini became the master, and to oppose Mussolini was to court the hangman's noose. Germany, delirious under an avalanche of colossal disaster and defeat, welcomed the philosophy of Hitler and his satellites who skyrocketed to power through the political and economic decrement left in its wake. Here, as in Italy and Russia, the state became the master and the individual was made the servant.

Across the channel in England, social unrest was on the brew predicated upon economic inequities which invariably associate themselves where class distinctions were acute and following a trend that was growing on the part of the British people demanded reforms based upon the ballot and not the bullet but which is just as effective though somewhat slower. At a period when time and space were all but being mechanically annihilated and with no prohibitive tariffs on ideologies and isms, it was then that some of our warped economists should fall prey to the philosophy of spending and spending and spending with no thought as to the national debt or a balanced budget. This period will go down in our political history as the new deal; a period based upon excessive taxation with no serious thought as to the fountainhead of revenue just so long as everybody had a job at government expense.

Russia blazed a trail to a new order. She was followed by Italy and Germany. England followed suit to a large extent and now we discover in our own country we have undertaken the socialization of income and wealth because today in our country income is not being levied or taxed for the prime purpose of permitting government to function as government but to exploit social and economic theories. Nothing remains static and the current trend cannot continue with any semblance of security to our free enterprise system. If our system has faults and weaknesses, these must be sought out and eradicated and obviously for too long American industry and commerce has been shirking its responsibility for fighting remedial measures for economic depressions. For too long it has shirked its responsibility to those thrown out of employment through no fault of their own. For too long it has blinded itself to the fact that an idle worker was a lost customer. And for too long it has failed to realize and recognize the monopolistic power, no matter in whose hands that power may fall; it is either wiped out as a power or absorbed by a collective estate.

Responsibilities Accepted by American Industry

Many of the responsibilities which have been accepted and borne by American industry and commerce have been left to our bureaucrats, economists and opportunistic politicians and when our government dished out a dose to those willing to work but unable to find the opportunity, many of these business executives raised Cain because it involved taxes. Today the handwriting on the wall is unmistakably clear. If the business brains of a great industrial nation that is so powerful in wealth and production cannot find a practical answer in keeping together the body and soul of the human victims from economic obsolescence, then American labor may eventually follow the pattern cut by some of her foreign neighbors by proletarian revolution or acquiesce socialization. This can mean nothing but the bitter and complete end of all realistic initiative which will finally wipe out your social, political and industrial structure when some modern Caesar or a Napoleon will seize the reins of government with a strong hand or else your great republic will be fearfully pilfered and plundered or laid waste by barbaric brutality. This will happen in the twentieth century just exactly as it did in the fifth century with but one difference. The Huns and vandals who ravished the Roman Empire in the fifth century came from with-

out. Your Huns and vandals will be engendered in your own country and the products of your own institution. In facing the future with its galaxy of problems and perplexities, we are going to need faith and not fatalism, determination and not defeatism and if fatalism and defeatism are going to hamper our thinking, then the future will most certainly become drab and doubtful and opportunity will be lost.

The opportunity for your sons and daughters and the opportunity for the sons and daughters of all free-loving people, not the opportunity that comes with the money you may leave in the bank when you die, but the opportunity that comes from the deposit you make in the bank of freedom to assure their peace and progress and happiness. Notwithstanding our determination, optimism and almost unbelievable accomplishments, part of this international whirlpool of ideologies and isms that stagger the vivid imagination of any modern Solomon, the United States today is standing in a very precarious position. There are millions and millions of people totally blind to the needs that face the nation; needs that are going to have to be recognized and fulfilled if we hope to retain our basic freedoms. There is nothing wrong with our wants. You will find these proclaimed in the headlines of every American newspaper; but the needs of the nation are still trampled beneath the maze of selfishness and self-interest.

The basis of business is understanding, and the tap-roots of understanding can only come out of human faith. Faith alone is the victory, not alone for the business world, but the world as a whole because it becomes life's irreducible minimum through the fact that it can and

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does recreate life where the very hope of life itself is lost. The thing we call business is only an economic relationship among people based upon human faith. The structure of business itself is nothing but a great social structure predicated upon the same common denominator that underlies all social structures, the denominator of people; dynamic, restless, changing, fascinating, moody, peculiar, unappreciated, little understood, but still important and essential people.

Your association is nothing but an aggregation of people and subtract the people and what have you got left? By the same token, what is it that makes up institutions, organizations, towns, cities and countries? It is not wealth nor soil nor climate nor tradition. It is nothing but people. People are the stuff out of which this old world is made. People are the very essence of life itself. A wheel never turns, a chimney never smokes, only for people. Everything in nature and everything that man made ends with people but people themselves never end. Like Tennyson's brook, they go on and on forever.

Business Is an Aggregation of People

Business is nothing but an aggregation of people. American business has never asked for the impossible nor the impractical, for exception or exemptive partiality or favoritism. The American businessman knows that production and distribution thrive only on free and fair competition and that progress is possible only through a liquid economy in which prices are allowed to fluctuate in confirmation with the basic laws of supply and demand. The structure upon which he has stood has remained on its own merits for nearly two hundred years, and has guaranteed and generated more happiness and more success for more millions of people than any other plan or philosophy in the history of the world.

This is reflected by the fact that in the United States there is only six per cent of the world's acreage, and seven per cent of the world's population, but it has 46 per cent of the world's electrical power; 48 per cent of its radios; 54 per cent of its telephones; 59 per cent of its steel capacity; 60 per cent of its life insurance policies; 85 per cent of its automobiles; and 92 per cent of its bathtubs. No one has ever denied but what despotic system has generated wealth and power for a favored few, but neither wealth nor well-being has ever filtered down to the unfortunate and unhappy millions. In ancient Persia and Alexandria and Rome under the Empire and Bagdad under the Caliphs, the sons of Dives feasted on a luxury that no modern Croesus has ever approached, but beneath their tables the sons of Lazarus wallowed in their sordid millions, grateful to the dogs that came to lick their sores. In Nazi Germany a handful became corpulent in wealth and power, but the multitudinous millions became emaciated on ersatz. It is extremely difficult to understand how any reasoning minded person with a life's experience in the United States and Canada

Charles M. Reed

The National Office was shocked to learn of the death, on September 27, of Charles M. Reed, beloved former president of this Association and General Manager of the Credit Bureau of Denver for many years. A more complete story will be included in the next issue.

should fail to realize and recognize the triumph and the vindication of an economic system based upon individual enterprise. Modern collective dictatorships, true to form and without exception, have been very long on propaganda, concentration camps, mass formations and spectacular public buildings, but extremely short on refrigerators, radios, and roast beef for the common man whom they exalt in theory but whom they despise in practice.

It would be the contradiction of terms to try to bludgeon anybody in being free and if the people in some country want some form of regimented collectivism, that is their own business. But to me it is extremely difficult to understand how any American should ever be ashamed of an economic system based upon individual opportunity or should develop a sense of inferior complex in discussing it. Business can never come from political voodooism or economic hocus-pocus. *It is neither a guess nor a gamble.* Nor can there be any semblance of guarantees so long as there exists rationing or inflation, wanton wasting or expensive governmental spending, piquant production or shortened hours. I am firm in my belief there can be a normal stability of the flow of business if and when government becomes the servant and not the master, when harmony begins to rule the hearts and souls of men and management rather than be ruled by a court edict which dictates the conditions under which they may quarrel or which they may engage in halfhearted production; when work and thrift replace loafing and excessiveness; when confidence supplants complacency; when discipline supersedes deliverance; and when the human element in the great institution of business begins to realize and recognize the importance of a simple human characteristic so essential in making business click. This is a characteristic that has been woefully waiting from national and international life for the past three decades.

During the First World War

This was dramatized with the whole world as an audience in that very discouraging spring of 1918 when, during the first World War, the German army realizing and recognizing then that the tides of opposition were constantly rising against her and appreciating the necessity of doing something sudden and spectacular which might insure the unbroken countenance of the German people in the effigy of that great war machine, decided then to attack the channel ports of England. The men selected for that gigantic offensive were picked with the utmost care and physical fitness, moral fiber and an undying sense of patriotism to the fatherland. They were to be met by an Allied army, the heart of which was the Fifth British Corps; an organization of men whose bodies and souls and spirits had been toughened and tempered at Cambria, Ypres, and Verdun; an organization of men as physically fit and morally sound and as technically well trained as any organization of men that was ever massed under a national banner.

At length those two great armies met in clinch. Unfortunately, however, the Allied lines began to slip and waver. They struggled, they staggered, they fell back, and they parted. What should have been a colossal battle began to take on the aspects of a disgraceful retreat. The thing called democracy was hanging by a shred. The nations of the earth regarded as to the positions

of the conflict poured their utmost in men, money and machines to hold that line, but that line refused to hold. Then one night somewhere out in front in a muddy bloody shell hole, a little subaltern of the Fifth British Army received the visitation of the Lord as recalled the prophets of old received them and what he was given was a great understanding. He translated it and through that far-flung line of discouraged and disheartened men and they recognized it and they seized upon it and they applied it; the prince and the pauper; the private and the field marshal. And the line stiffened and the line straightened and the line held. All the forces of hell would never have crossed that line except over the last broken and bloodless body of the last man defending it.

That little subaltern knew there was nothing wrong with numerical strength. He knew there was nothing wrong with provided arms. He knew there was nothing wrong with the tactics being employed, but he knew there was something wrong with the men. They had lost something. Those men had lost something from the inside of them and the thing they had lost was their sense of moral responsibility. That you will recall was spontaneously and efficaciously restored in the recording of those immortal words which will echo down the canyons of eternity, "Carry on."

Democracies Lost Moral Responsibility

Prior to the day when bloodless brutality split the world in 1938, the democracies of the earth had all but lost their sense of moral responsibility. This was reflected by that unfortunate and disgraceful capitulation of that once hearty and mighty Republic of France, when Adolf Hitler entered the Rhineland and smashed the Versailles Treaty and the Locarno Pact, he could have been driven out by the French people in three hours. But the French people had lost their sense of responsibility and they sat down and wrote him a tempered note which became their passport into chaos.

Thank God the reflection of this recent struggle between the forces of civilization and barbarism clearly reflects the restoration of moral responsibility. But let us understand that we who serve on the home front, who serve in the fields, and factories and market places, are going to have to reflect that selfsame brand of moral responsibility reflected by those gallant troops in the air, on the land, and on the sea. With the restoration of that moral responsibility superimposed upon the immeasurable materialistic potentialities of this great hemisphere, I am convinced that not even under the God-defying guidance of that original triumvirate, that for six years tried to make a slaughter pen out of this world, with all their manipulation of murdering millions of innocent people under the masquerade of war and commanding all the armies of Europe, Asia, and Africa combined, could never by force destroy the faith of this hemisphere and take a drink from the St. Lawrence River and leave their filthy footprints across this unguarded frontier in ten thousand years.

Let us not believe that our country is perfect. Let us not believe that our institutions cannot be improved upon. But let us divorce ourselves from the talk that millennium to better business or any guarantee thereof can never come by exchanging centralized authority and governmental control for individual responsibility and

human opportunity because when we accept that philosophy we are rapidly falling into that ancient old world delusion which for six thousand years has stagnated human progress and kept the vast majority of people underfed, underclothed, embroiled in wars and surrounded by pestilence and famine. Our course is clear. Our challenge is colossal. Our rewards will be immeasurable including stability to business if we begin to recognize our moral responsibilities in this institution as well as our legal prerogatives and begin to understand that the only thing that can justify the continuance of this colossal superstructure of human effort is to bring happiness to other people. Happiness is a perfume that you cannot handle without spilling a few drops on yourself.

Please do not misunderstand me. What I am talking about is no push over. This job is going to be rough and tough. Your professional problems are going to be discouraging, disheartening, and disappointing. There will be a thousand times when you believe that too few are carrying their full share of the load. There will be a thousand times when you honestly believe that it cannot be done. There will be a thousand times when you will want to throw in the sponge and quit. You cannot quit, because quitters cannot win, and winners cannot quit and for a hundred years your profession has waged one of the most outstanding and magnificent winning fights in the fascinating story of business and you have got to carry on, despite the fact that you are going to get tired out and worn out and weary, sick at heart and soul. *So did Admiral Perry but he finally found the Pole.* ★★★

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The Credit Clinic

A REPORT of some of the questions asked and answered at The Credit Clinic held in connection with the International Credit Conference, National Retail Credit Association, Banff, Alberta, Canada, June 7-10, 1948

J. Gordon Ross, Chairman, Rochester Gas & Electric Corp., Rochester, N. Y.

Panel

Banking and Finance

O. W. Frieberg, American Trust Company, San Francisco, California.

Paul M. Millians, Commercial Credit Corp., Baltimore, Maryland.

K. G. Slocomb, Black & Armstrong, Ltd., Winnipeg, Man., Canada.

Keene M. Wolfe, Michigan National Bank, Battle Creek, Michigan.

Consumer Credit Education

Sam A. Ivey, Pizitz, Birmingham, Alabama.

Harry O. Schultz, Credit Bureau of Calgary, Calgary, Alberta.

Credit Bureaus

E. DeWitt, Seattle Credit Bureau, Seattle, Washington.

Thos. Downie, Retail Credit Grantors Bureau, Ltd., Vancouver, B. C.

Gordon W. Gray, Cleveland Retail Credit Men's Company, Cleveland, Ohio.

Department and Apparel Stores

Dean Ashby, J. L. Brandeis & Sons, Omaha, Nebraska.

A. G. Wilson, The Robert Simpson Co., Ltd., Toronto, Ontario.

Clarence E. Wolfinger, Lit Brothers, Philadelphia, Pa.

Installment

M. A. Davis, Hartney Company, Ltd., Montreal, Quebec.

Harry A. Hartford, Paine's of Boston, Boston, Mass.

National Legislative Activities

Joseph A. White, Harris Stores Co., Pittsburgh, Pa.

Banking and Finance

What are the pitfalls in connection with an expanding credit volume and particularly for the large volume of installment business?

Mr. Slocomb: "In our particular locality we are not running into very many pitfalls of expanding credit because the government of Canada has approached the heads of all of our Canadian banks and requested them to limit the volume of loans to the finance companies to the volume they reached last year. Practically all our finance companies who secure their funds from the banks are now in the position where they have reached the limit and we are now loaning out only the funds which we are collecting. One thing that I would like to bring out regarding this expanding credit. With the increase in the cost of living, which of course bears more heavily on large families, we are finding the most difficulty in

collecting where there are a large number of children and we are now making it an obligation on those making the investigations to ascertain the number of children or dependents in each family. We are finding it increasingly evident that where there are large families, our collection problems are greater and more repossessions. Also, some people have war relief, or a small bank fund, and in many cases they have bonds on which a pension is drawn. These are now just about exhausted and people have larger outstandings which they will have to pay from dollars by the month and are running up against the difficulty of paying various accumulated debts."

Mr. Millians: "We have been following the maximum of selectivity on both loan and rate lines for some time. The larger finance companies are following very sensible credit terms. We want that made known to the dispensers of credit at the consumer level, both the department store and otherwise."

Consumer Credit Education

How often should pay-promptly ads be run in newspapers and should all papers be used?

Mr. Ivey: "We have been active in Birmingham in attempting to carry out a pay-promptly campaign. We have conducted it only once a year. There is some argument as to how often one should do it. I believe that once a month is not too often. Then comes the question that if you run an ad once a month, perhaps it loses its effectiveness. The public sees the same thing too often. Suppose we look at it from the advertiser's standpoint of leaving your ad out of the newspaper for one day and see what happens. You cannot do it. Leave your ad out of the paper on merchandise just one day and your customers will go next door. I do not think we can do it too often and we should insert one pay-promptly ad in the newspaper once a month, no matter how small."

What is the cost of such a campaign and how are funds raised?

Mr. Ivey: "We used spot announcements on the radio which were given to us free. If we did it once a month I doubt if we could get them free. We run half-page ads in three Birmingham newspapers. We also used inserts which were facsimiles of our Blue Book and it appealed to all customers; if you are good you get an orchid; if you are medium try to do better; and if you are in terrible shape, come on in and talk to your credit manager. That was the theme of the entire thing. We wanted to get them in. We did not measure the pay-

promptly campaign by the amount of money collected. You must temporarily forget how much money you are going to receive from your pay-promptly campaign. Do not think that the front door will be broken down with customers rushing in to the pay window. They will not do it. If you get the people to come in that have been walking on the other side of the street rather than face you, this is your advantage in such a campaign."

What is the advertising value to the retailer? To the Credit Bureau?

Mr. Ivey: "The advantage to the retailer naturally is that you are leaving the customers open to buy. The advantage to the Credit Bureau is controversial. If everybody's credit improves and gets better, you turn out better reports to the bureau. I have been told that 1,000 good reports can be written a lot quicker than 1,000 bad reports. On the other hand, they sell more bad reports because when a man's account is bad, he starts making the rounds in your town and buys from other stores and those stores in turn all purchase reports concerning him."

Mr. Davis read statement for H. O. Schultz: "Pay-promptly campaigns should be used and repeated as often as possible. Repetition and persistence are the two strongest forces in advertising. Advertising should be used not less than twice monthly and oftener if possible. The campaign should be planned for the newspapers or radio. The cost of the campaign depends upon the rates for advertising in the newspaper, the number of times ads are run, as well as the size of the ads. The funds should be raised through the Credit Bureau and the best method is by regular assessment on the members which will vary according to the size of the firms, etc. New members pay the assessment as a matter of course. Once the method of collecting the money is established it provides a permanent fund for pay-promptly advertising. Collections have improved and the Credit Bureau has become better known. The crest of the Credit Bureau becomes well known and advertised and when the work of the Bureau is recognized by the public the members benefit from any educational publicity campaigns in so far as they identify themselves as members. Advertising is used twice monthly in each of our two newspapers. The fund builds up whether or not space is used and this allows an appropriation for space when required without asking for additional contributions."

Credit Bureaus and Collection Service

When should accounts be placed in the hands of an outside agency for collection?

Mr. Gray: "I would like to see accounts placed in the hands of an outside agency for collection when they are not more than 90 days past due. The longer they are allowed to go after that time, the more difficult they are to collect."

Mr. DeWitt: "I agree with Mr. Gray, however, the type of business that is being operated might be a factor as to when accounts should be placed in the hands of an outside collection agency."

Is there a charge for messenger service when it is maintained by the Credit Bureau?

Mr. Gray: "We do not charge for messenger service in Cleveland."

Is the Teletype system used for credit reports?

Mr. Gray: "In Cleveland some of the stores are using Teletype machines and they are well pleased with them."

Mr. Wolfinger: "We use Teletype in Philadelphia. It has proved so satisfactory that many of the large stores are ordering them."

What is the expense of the Teletype as compared with other types of communication?

Mr. Gray: "I understand that the cost in Philadelphia is about \$72.00 per machine per month. In Cleveland I believe it costs between \$75.00 and \$100.00 per month per machine. In other cities the Teletype machine charge is \$25.00 each (one machine at the store and one at the Bureau) per month, plus telephone company mileage costs. It is certainly accurate and a fine piece of machinery."

How long do Credit Bureaus hold accounts before they turn them over to attorneys for collection?

Mr. DeWitt: "In our particular case, we have the privilege of turning accounts over to attorneys at any time we feel it advisable. We use our own judgment and we do not waste any time."

Mr. Gray: "We use our own judgment also. We have the misfortune, if you can call it that, of operating under an injunction in Cleveland. When we turn accounts over to a lawyer, or handle it in a legal way, it is practicing law. We ask our members for their instructions as to whom they want their accounts sent."

Installment

In making application for an account the customer does not ask for budget or installment accommodations. Following receipt of the first bill, the customer requests that the indebtedness be transferred to a budget or installment account. Is down payment required, and carrying charge added from date of purchase in such instances?

Mr. Hartford: "I presume this is a condition that exists in almost every store. I assume that the basis of extending credit was sound and that the merchandise was delivered on regular open charge account and after receiving the bill the customer then comes in and asks that the account be transferred to a budget or installment account. A down payment would be required immediately and if beyond the first month you would also ask them to pay according to the terms they should have paid when they purchased the merchandise. I would also suggest that a carrying charge be added from the time the contract originally would have been written on a budget basis."

Mr. Davis: "I am heartily in accord with Mr. Hartford. It was an installment purchase in the first place and they were able through their credit record to get the merchandise without a down payment. In Canada, in Quebec Province in particular, when we make an installment contract we always get a down payment and a carrying charge as specified by the government and there is not any question that the purchaser should not pay the carrying charge from the date of the sale."

Public Utilities

Some utilities sell and finance major appliances; others only carry on promotional activities and assist and encourage dealers in developing business. What is the present trend?

Mr. Ross: "From my observation the trend is to encourage and help dealers in the sale of merchandise. Some utilities do not merchandise at all, others are merchandising just as a means of stimulating and promoting electrical and gas merchandise to a great extent."

As a rule, do utilities sell on about the same terms as appliance dealers and other retail stores?

Mr. Ross: "As a rule, utilities sell on about the same terms as appliance dealers and other retail stores. In many cases the terms of utilities are somewhat more stringent than that followed by retail stores."

Some public utilities returned to bimonthly billing during the war. Are these companies disposed to continue this form of billing?

Mr. Ross: "There are some utilities that have attempted to continue bimonthly billing, notably the Edison Company of New York, a tremendous company, is now billing on a bimonthly plan with no interim, estimated or average bills. But most companies have returned to a monthly reading and billing plan especially where there is more than one service involved. During the war, in our case, we were required to bill an average bill one month and actually read the meters the second month. We are now back to the monthly reading and billing and we will probably continue that plan."

It has not been so very long ago that utilities gave away light globes free just to get us to use electricity. That led on to the time when they sold merchandise on 60 months time. Other retailers had to follow suit to some extent. Are the utilities planning to readopt such a plan of selling merchandise?

Mr. Ross: "Many utilities sales plans are tied up with finance plans of local banks and the terms and paper are handled by the banks which also handles the paper of the other leading stores on the same terms and on the same basis. This is true in Rochester and I am sure is true elsewhere."

General

To what extent are credit department operations and procedures being studied to increase the efficiency of the department or control expenses? What results?

Mr. Wolfinger: "There is probably a constant endeavor on the part of credit executives to try to increase their efficiency and also to reduce operating expenses. In our particular store we have a group of five of the head executives in our credit department who meet with me in my office once a week. They come in on their own time an hour before we open the store and we discuss through that group our present-day problems. We are constantly trying through that medium to continue to increase our efficiency and reduce costs at the same time. There are many things in every credit office that can be improved upon and one of the things we do is to analyze why we do certain things. I have found that employees think they are better off when they do a certain thing for a long time just because it has always been done that way. We try to get away from the established procedure and try something new. We try to experiment and often we find that we wonder why we never thought of it in the first place. It is a constant operation of a good credit department to continue to devise new ways to do old things and continue, at the same time, to reduce operating costs."

The trend toward cycle billing, by department and other retail stores, appears to be growing rapidly. What has been the effect on collections? How do customers like it?

Mr. Wilson: "We just installed cycle billing in our particular store on June 1, however, we have studied it very carefully by taking trips around the United States and we have also studied our competitors' operations across the street. You might be interested to know that before we decided to adopt cycle billing, we made a survey of 350 customers and we found that when they were approached and asked the question as to whether or not they liked cycle billing, the majority stated that they definitely did like it. I also understand that customer reaction to cycle billing is very satisfactory in many parts of the country. I cannot answer the question regarding collections because I do not know yet. From our survey, I feel sure that our customers will like it."

Mr. Hartford: "About three years ago one of our Boston stores installed cycle billing. All the rest of us just waited to see what would happen. Nothing did happen. Today, nine of the stores are using cycle billing with good results. I do not think there is any customer reaction against cycle billing. It did, at first, cause a few comments. I think each store suffered in its collections during the first month and probably the second, but after the third month, collections were normal again. So, I think it has no particular effect on collections one way or another as it stands at the present time. The opinion in Boston is that before long many other stores will adopt cycle billing."

Is cycle billing suitable for a specialty store that mails out only about 200 statements each month?

Mr. Ashby: "The contention is that in any store cycle billing can spread the work over the entire month in the office which makes it a desirable feature. There is a marked increase of the number of stores each month that use cycle billing and this is not limited to the large department stores only but some of the smaller stores have also adopted cycle billing. The smaller stores may not have as many cycles during the month as the larger stores. The larger stores have as many as 20 cycles while some of the smaller stores have three or four."

What is the experience of retail stores in the use of the telephone as a collection media?

Mr. White: "Regarding the use of the telephone as a collection media, it depends entirely on the policy and type of organization represented. Anyone representing a store on installment selling I think it is almost a collection requisite. In our store we use the telephone more for collections than any other media. By using the telephone we can make definite arrangements with the customer for future payment, promises or what not. The larger stores in our city do not use the telephone as a collection media until 90 days after the account has become past due."

What has been your experience in conducting credit schools for educating credit personnel?

Mr. Ross: "In Seattle they are conducting a credit school through the credit bureau at the present time, to educate people to qualify for work in retail stores. There are many other cities throughout the country conducting credit schools and are following the plan available through the National Retail Credit Association."

IMPORTANT STEPS in RETAIL CREDIT OPERATION

**A New Handbook
by
Dr. Clyde W. Phelps**

76 Pages

Cloth Binding

Price \$1.50

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this
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IN PRESENTING to you this new book by Dr. Clyde Wm. Phelps, it is with the thought that it will be read by everyone interested in this most important subject. Dr. Phelps is the author of our text and reference book, **RETAIL CREDIT FUNDAMENTALS**. He is Professor of Economics at the University of Southern California.

THIS HANDBOOK was written expressly for credit personnel in the larger departments, and for the many retailers who, burdened with other duties involved in merchandising the store, are also responsible for credit operations. Because of the press of other duties, this important function is often neglected, with resultant slow accounts and eventual bad debts.

HERE ARE the chapter headings:

1. Retail Credit Operation
2. Taking the Application
3. Credit Investigation
4. Opening the Account
5. Understanding of Credit Terms and Credit Policy
6. Setting Up the Account on the Ledger
7. Billing
8. Follow-Up of Accounts Not Paid in Accordance With Terms
9. Developing New Accounts
10. Follow-Up of Inactive Accounts
11. The National Retail Credit Association
12. The Associated Credit Bureaus of America
13. The Road to Profitable Credit

THIS BOOK should be on the desk of every credit granter and in the hands of every credit assistant.

NATIONAL RETAIL CREDIT ASSOCIATION
SHELL BUILDING **ST. LOUIS 3, MO.**

NATIONAL RETAIL CREDIT ASSOCIATION
218 Shell Building, St. Louis 3, Mo.

Please send me—copies of **IMPORTANT STEPS IN
RETAIL CREDIT OPERATION.** { Check attached—
Send Statement—

Name—

Address—

City— Zone— State—

CREDIT FLASHES

New Jersey Installment Sales Bill

A retail installment sales bill has been passed by both houses of the New Jersey legislature and is expected to be signed by the Governor. The bill is practically the same as a Connecticut statute, which has been on the books of that State for some time, and which we understand has been found satisfactory by retailers and sales finance companies operating in that State. The bill provides in part:

1. For full disclosure of all charges on the part of all merchandisers selling goods under retail installment contracts.
2. For the licensing and regulation of sales finance companies.
3. For investigation upon written bona fide complaint by a retail buyer but restricts such investigation to the pertinent records of the transaction.
4. For hearings by the Commissioner of Banking and Insurance and court review.
5. For proportionate rebate upon prepayment prior to maturity.

The purpose of the bill is to regulate, through a uniform method of disclosure, the sale of consumer goods on an installment basis having a cash price of \$3,000.00 or less and to license and regulate persons engaged in the business of purchasing or acquiring such retail installment contracts from a retail seller. If you are interested in further details of this bill, (Senate 198) write to J. Anton Hagios, Executive Manager, Broad Street and Merchants Association of Newark, 744 Broad Street, Newark 2, New Jersey.

J. P. Garcia in New Post

Joseph P. Garcia has been named director of accounts, Bonwit Teller, New York, N. Y. He was formerly assistant credit manager at Abraham & Straus, Brooklyn, N. Y.

Mrs. Amelia C. Scott

Mrs. Amelia C. Scott, wife of James W. Scott, office manager of the Merchants Credit Association of Los Angeles, died August 27 after a brief illness.

A. E. Wonch

A. E. Wonch, Credit Manager, Standard Lumber Co., Spokane, Wash., and Treasurer, Spokane Retail Credit Association, died recently of a heart attack. He served as president of the building materials group of the Association and was active in their affairs until the time of his short illness.

35th Annual Conference

The 35th Annual International Consumer Credit Conference of the National Retail Credit Association, Credit Women's Breakfast Clubs of North America, and Associated Credit Bureaus of America will be held at Hotel Statler in the city of Boston, Massachusetts, Monday through Thursday, June 20, 21, 22, and 23, 1949.

Coming District Meetings

District Two (New York and New Jersey) and District Twelve (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia and West Virginia) will hold a joint annual meeting in New York, N. Y., February 13, 14 and 15, 1949.

District Three (Florida, Georgia, North Carolina and South Carolina) and District Four (Alabama, Louisiana, Mississippi and Tennessee) will hold a joint annual meeting in Nashville, Tenn., April 24, 25, 26 and 27, 1949.

District Five (Ohio, Michigan, Ontario, Canada, and Kentucky) and District Thirteen (Illinois, Indiana, and Wisconsin, except Superior) will hold a joint annual meeting at the Netherland Plaza Hotel, Cincinnati, Ohio, February 20, 21, 22 and 23, 1949.

District Seven (Arkansas, Kansas, Missouri and Oklahoma) will hold its annual meeting at the Muehlebach Hotel, Kansas City, Mo., March 13, 14 and 15, 1949.

District Eight (Texas) will hold its annual meeting in Dallas, Texas, May 1, 2 and 3, 1949.

District Eleven (Arizona, California, Nevada and Hawaii) will hold its annual meeting in Bakersfield, Calif., April 18 and 19, 1949.

Note:—It is suggested that other Districts select dates that will not conflict with any of the above dates.—Ed.

W. L. Rehfeld Heads Associates

The Robert Morris Associates elected Walter L. Rehfeld, Vice-President of the Mercantile-Commerce Bank & Trust Co., St. Louis, Mo., as their President for the coming year at their annual meeting in Philadelphia on September 17. Other officers elected by the Associates were: First Vice-President, Milton J. Drake, Vice-President, The Detroit Bank, Detroit, Mich.; and Second Vice-President, Fred C. Witte, Vice-President, The Chase National Bank, New York, N. Y.

Beaumont, Texas

At the annual meeting of the Retail Credit Granters of Beaumont, Texas, the following officers and directors were elected for 1948-1949: President, Aaron Littmann, Gem Jewelry Co.; Vice-President, Paul Masterson, Gulf States Utilities Co.; Secretary, Mrs. Marian Ashby, Dover's Clothing Co.; and Treasurer, Mrs. Alice Wigginton, Rosenthal's. Directors: Fred Dennis, Phoenix Furniture Co.; Mac Boyd, Gulf Oil Corporation; Virden Mabry, Sparks Radio Co.; and Roy Jackson, Lamb Printing Co.

For Sale

Small credit bureau in Western State. Other interests necessitate quick sale. Good opportunity for man and wife, or woman who wishes small business. No reasonable offer refused. Box 1081, The CREDIT WORLD.

Twentieth Boston Conference

The Boston Conference on Distribution will be held at the Hotel Statler, Boston, Mass., October 25-26, 1948. This is the twentieth annual national forum for problems of distribution conducted by the conference. The National Retail Credit Association is one of the cooperating organizations. Over twenty distinguished speakers will speak on the following subjects:

The Road Ahead for Distribution
How Fashion Distributes 80,000 Miles of Textiles
Cutting the Cost of Distribution—The Easy Way
The Trend in Consumer Purchasing Power
Can We Simplify Distribution?
Distribution—Its Proper Place in Our Economy
Small Business—Bulwark of Democracy
The New American Market Pattern
Trade Relations Between Neighbors
Merchandising for Profits
Food Production and Distribution Problems
Television—Present and Future
Current Trends in American Sales and the Business Outlook

Some of the speakers include: Hon. Charles Sawyer, Hon. Everett M. Dirksen, Paul Mazur, Charles H. Kellstadt, Robert A. Whitney, Arno H. Johnson, Hon. M. W. Mackenzie, Lawrence B. Sizer, Kenneth Kramer, Stanley F. Teele, and Dorothy Draper.

You and your associates are cordially invited to attend. The Proceedings of the Conference will be available later. If you are interested in purchasing a copy, write to Daniel Bloomfield, Director, 80 Federal Street, Boston 10, Mass. The price is \$3.90.

George T. Petersen Promoted

George T. Petersen, President of the Associated Retail Credit Men of San Francisco, was recently elected Asst. Vice-President of The San Francisco Bank. Mr. Petersen began his banking career in Salt Lake City more than 30 years ago and was engaged in bank and trust work in Salt Lake City, Seattle and Oakland prior to becoming associated with The San Francisco Bank 13 years ago. The San Francisco Bank operates under only a savings charter, is more than 80 years old and specializes in home loans. The Bank at present is carrying real estate loans totalling more than \$120,000,000.00.

Minneapolis, Minnesota

The new officers of the Retail Credit Association of Minneapolis for 1948-1949 are: President, Merth E. Mortenson, Marquette National Bank; Vice-President, Merton D. Olson, H. A. Rogers Co.; Treasurer, Erma Lavers, Oscar P. Gustafson Co.; and Secretary, Carleton W. Wildes, Minneapolis Credit Exchange. Directors: Walter Billman, Billman, Inc.; Frank E. Goudie, Marsch & McLennan; Paul E. Johnson, Reeves Coal & Dock Corp.; Melbourne G. Langquist, Boutell Bros.; Lily F. Person, Plymouth Furs; Edward J. Revane, L. S. Donaldson Co.; Maurice K. Rosengren, Nagell Stores; J. Everett Swanson, Minneapolis Gas Co.; Leo A. Sobel, Brown Clothing Co.; and Gustaf A. Sandberg, Boutell Bros.



"Members most certainly read The CREDIT WORLD. As recipient of the International Credit Bureau Award, I have been receiving congratulations from Lincoln friends. Coincident with the publication of the August Credit World, I have been receiving congratulations from friends in other cities. The double page spread is a wonderful recognition of the honors bestowed. I am sure that all award winners appreciate the story as much as I do."—Max Meyer, President, Credit Bureau of Lincoln, Lincoln, Neb.

"Thanks again for sending me The CREDIT WORLD. I read everything in it and enjoy it very much."—Henry Martin, Life Member, N.R.C.A., 1401 N. Lottie St., Oklahoma City, Okla.

"At this late date, I want to tell you how very much my wife and I enjoyed the Conference at Banff. Perhaps this delay of several weeks only heightens our appreciation of the magnificent natural settings, and of the many old acquaintances we met and the new friends we made. I should have attended the 25 Year Club dinner, but just got side tracked somewhere along the line."—William F. DeVere, Secretary-Manager, Cheyenne Credit Bureau, Cheyenne, Wyo.

"I would like to take this opportunity to again thank you for all the help you gave us on the Conference before we set sail. I do not know how you did so much with such ease."—Mrs. Gladys Rountree, 428 Medical Arts Building, Dallas, Texas.

"On behalf of the Credit Women's Breakfast Clubs of District 10, I want to express my appreciation for a very wonderful Conference at Banff. For many of us it was our first National Conference and it made us realize just how large the three Organizations are. The meetings were both interesting and educational and we all returned home with pleasant memories of Banff and the many friends we made while at the Conference. The hospitality of the Canadian Clubs will never be forgotten by any of us."—Mrs. Bessie Kayser, President, Pacific Northwest Council of Credit Women's Breakfast Clubs, Salem, Ore.

"While at Banff I did not have the opportunity to tell you how much I enjoyed it. It was more than I could do to track you down. Your time was always occupied. I say now, as I would have then, it was wonderful."—Margaret I. Matthews, President, Credit Women's Breakfast Club, London, Ont.

"I wish to compliment you on a wonderful convention at Banff. You certainly undertook a big job and responsibility when you planned the Conference there. We enjoyed our experience in getting through the high water to the Northwest. We probably saw more than had we gone clear through on the train. It was a Conference and a trip we shall always remember."—Margaret Welch, Credit Manager, Iowa Clothes Shop, Council Bluffs, Iowa.

"I want you to know that I am more than glad the Conference was in Banff. I am sorry if the distance and the weather kept anyone away who would have otherwise attended. I enjoyed it more than any other conference. I like the arrangement of our having more time to discuss our many problems."—Charles E. Moorman, General Credit Manager, Credit Bureau of Jacksonville, Jacksonville, Fla.

"I trust that the 1948 Banff Conference proved successful, both in accomplishment and financially. Certainly, speaking for the Credit Granters' Association of Canada, we were most happy to have the opportunity to associate with you and trust that in the not too distant future we may be afforded the same opportunity."—S. T. Richardson, British American Oil Co., Toronto, Ont., Immediate Past President, Credit Granters' Association of Canada.

CREDIT DEPARTMENT

Letters

W. H. BUTTERFIELD

THE CHRISTMAS SEASON may still seem a long way off, but it's not a bit too early to be planning your holiday good-will letters to customers. Before we know it, the end of the year will be upon us—bringing with it one of the finest opportunities for effective consumer relations by mail. It's a chance that comes only once every twelve months. Are you preparing to make the most of it?

Year-end letters provide a logical and appropriate occasion for an expression of thanks to regular patrons. Probably you have sent these persons a number of credit-promotion letters during the year, and no doubt some collection reminders, too. Here is your chance to strengthen their friendship and loyalty through an effective "thank-you" letter based on the holiday theme. It takes only a few minutes to write such a letter, and this evidence of thoughtfulness on your part will "register" with your readers. Many firms have reported that holiday letters are one of the most successful customer-relations devices they have ever used.

This month *Credit Department Letters* offers you a variety of tested year-end messages—letters that build consumer good will. Some of these specimens have appeared in this department during the past three years; others have been chosen from our file to complete the following selection of outstanding holiday letters.

Ten Precautions to Remember in Writing Your Holiday "Thank-You" Letter

1. Make your letter reasonably brief. Try not to exceed 100 words. (The longest letter among this month's outstanding examples contains 98 words.)
2. Make your letter warm and friendly, but avoid an effusive tone. Don't gush!
3. Do not philosophize on the meaning of Christmas. Your purpose is to express holiday good wishes and appreciation of patronage, not to interpret the significance of Christmas to the reader.
4. Write in a simple, easy style that gives your letter a natural tone. Avoid the stilted or high-flown language that makes many holiday letters sound stiff and artificial.
5. Be sure your lead paragraph ties in the message with the holiday season. Irrelevant openings are a common weakness of Christmas letters.
6. Avoid any suggestion of promotional effort. Such an element is entirely out of place in a holiday letter.
7. Don't "crow" about the profitable or successful year that your firm has had. While this is important to you, it is of little or no interest to your reader.
8. Don't express your good wishes in trite, "canned" language, such as "May I take this opportunity to state . . ." or "I wish to take this occasion to convey . . ."
9. Don't attempt to be humorous or facetious. A flippant tone is not in keeping with either the occasion or the purpose of your letter.
10. Be enthusiastic! A holiday letter with a perfunctory tone is worse than no letter at all.

Used by Dean Ashby
Credit Manager
J. L. Brandeis & Sons
Omaha, Nebraska

Dear Mr. Allen:

As we come to the end of 1948, it is a pleasure to thank you personally for your patronage of Brandeis' during the past year.

We hope you have enjoyed your visits here as much as we have enjoyed serving you. Your confidence in us is deeply appreciated, and you can be sure of our continued effort to be worthy of it.

May our pleasant relations of the past continue for many years to come! Best wishes for a happy, prosperous and successful 1949.

Sincerely yours,

Used by E. J. Aylstock
South-Western Publishing Co.
Cincinnati, Ohio

Dear Mr. Potter:

This Christmas your friends in our company wish they could thank you in person for your friendship and the confidence you have shown in us. But that isn't possible, so we are writing you instead.

The opportunity you have given us to serve you this past year has been much appreciated. We shall try to deserve your continued friendship for many years to come.

It is our hope that your Christmas will be a merry one, and that 1949 will be a happy and successful year for you.

Sincerely yours,

Used by Louis Selig
Treasurer
Rosenfield's
Baton Rouge, Louisiana

Dear Mr. Baker:

On the threshold of the New Year this little message comes to you with a twofold mission.

First, to tell you how grateful we are for your loyal patronage and support during 1948, and how eager we are to deserve your good will during the coming year.

Second, to express to you our sincere hope that 1949 will be a happy year and a prosperous one for you and yours.

Cordially yours,

Used by Ray W. Johnson
Credit Manager
Boston Store
Fort Dodge, Iowa

Dear Mrs. Mason:

At this season our thoughts turn naturally to customers whose friendship we have enjoyed throughout the year.

You have been one of these loyal customers — one whose confidence we value and are eager to retain — one whose account it has been a pleasure to handle.

We sincerely appreciate this cordial relationship, and will do all we can to preserve and strengthen it in the future.

This letter brings you a sincere "Thank you" on behalf of the entire Boston Store personnel. At the same time we wish you a Merry Christmas and much happiness in the New Year!

Cordially yours,

Dear Mrs. Drake:

Just a note — as the holiday season approaches — to wish you all the joy and happiness that should go with Christmas time.

We also want to express our sincere thanks for your friendship and patronage during the past year. As another New Year dawns, we pledge our continued effort to be deserving of the confidence you place in us.

Best wishes for a Merry Christmas and a New Year filled with happiness.

Cordially yours,

Used by C. E. Wolfinger
Credit Manager
Lit Brothers
Philadelphia, Penna.

Dear Mrs. Langdon:

At this season of the year, with Christmas only a few days off and 1949 just around the corner, we pause to send you a message of appreciation.

Month after month, year after year, your account has been paid with prompt regularity. We appreciate both your patronage and your fine co-operation.

Before the holiday season passes, we want to say THANK YOU in great big capital letters.

Sincerely yours,

Used by Mullen & Bluett
Los Angeles, California

Dear Mr. Gordon:

In a few hours clocks all over the world will strike out 1948 and chime in the New Year.

As we of Mullen & Bluett look back on the year just closing, we are grateful indeed for your friendly patronage and for the opportunity of serving you.

With warm personal regards I send to you, for our entire organization, a sincere wish for your happiness and prosperity throughout 1949.

Cordially-yours,

Credit and Collection Procedure

Opening the Account

RECENTLY the Research Division sent, to 155 retail stores of various types, a questionnaire containing 10 questions pertaining to credit and collection procedure. Replies were received from 80 of the stores representing a return of over 51 per cent. A summary of the replies follows:

1. *What, if any, changes have you made in your application form, or in the data required?*

Have made some changes	8	10.0%
Have made no changes	72	90.0%
Total	80	100.0%

Remarks:

"A new simplified application blank has been designed so the customer can fill it in and save interviewing time."

"We are now requesting information on total amount owing as compared to income."

"Our interviewers now code the application according to the impression the applicant made."

"We have removed a direct question of approximate salary and also the age from our application form. However, where the applicant's income is judged to be in the lower brackets, we do ask for the information."

"The size of the application has been changed to fit our new cycle billing equipment."

2. *Do you check every applicant for credit through the credit bureau, and do you obtain a complete report, or do you pass credit on in-file information?*

Secure a complete credit report	54	67.50%
Pass credit on in-file information	26	32.50%
Total	80	100.00%

Most of the replies stated that in-file information was used only when it was less than 90 days old. If over 90 days old, a complete up-to-date report was requested.

3. *If you pass credit on in-file information, is it because the report is less expensive, or the information is available more promptly?*

Less expensive	5	19.23%
Information available promptly	21	80.77%
Total	26	100.00%

Remarks:

"We ask for in-file information only when the customer wishes to take the merchandise with her."

"We do not care how much a report costs providing it has the qualities behind it. It is reliable information we need."

"The item of expense does not enter into the transaction. If I am in a hurry for information I will get

an in-file report and try to pass on credit. I will then get a complete report later."

4. *What, if any change would you recommend to speed up credit bureau service?*

Better cooperation between bureau and members	31	38.75%
More efficient bureau employees	13	16.25%
Speed up out-of-town reports	8	10.00%
Well satisfied with present service	28	35.00%
Total	80	100.00%

Remarks:

"When girls working in Credit Bureaus meet with the credit office personnel twice a month at Credit Women's Breakfast Club meetings, they develop an understanding that brings about cooperation between these two departments that make for better credit granting."

"I recommend that all credit information from the different stores be given to the Bureau promptly at a given time each day."

"A newcomer in our city must generally wait at least two weeks—frequently three or four weeks—for an account to be established if he has the misfortune to move from and refer to some of our big city Credit Bureaus."

"A quick photograph service or a rating system to Dun and Bradstreet may help."

"Credit Bureaus should streamline their forms for requesting and giving information and eliminate unnecessary detail within the office procedure wherever possible."

"Our Credit Bureau service has improved. By giving the Credit Bureau prompt service on their inquiries, we find they render the same service to us."

5. *What can the credit office do to increase the efficiency of the Credit Bureau?*

Take complete applications and answer all inquiries from Credit Bureau promptly	68	85.00%
Report to Credit Bureau all information as it occurs	8	10.00%
Don't know	4	5.00%
Total	80	100.00%

Remarks:

"Our biggest problem is the inability to report back promptly to the Credit Bureau due to our turnover in help. New employees every two or three months slow up service all around."

"We should be careful when taking applications to get name in full and all correct former and present addresses."

"Credit managers will do well to discuss credit bureau problems with the Bureau manager and settle for the mutual benefit of both."

6. After approving the application do you notify the customer by mail or by telephone?

By letter or card	66	82.50%
By telephone	4	5.00%
By telephone and followed by letter	10	12.50%
Total	80	100.00%

7. If an account is declined, do you notify the customer by mail? If not, what method do you use?

Accounts declined by letter	62	77.50%
Accounts declined by telephone	5	6.25%
Accounts declined personally	13	16.25%
Total	80	100.00%

8. In the letter do you refer in any way to your credit policy or credit terms, which presumably you discussed with the customer during the interview?

Refer to terms	33	41.25%
Do not refer to terms	47	58.75%
Total	80	100.00%

Remarks:

"If further details are requested, customer is referred to the Credit Bureau."

"We restate our terms in a folder enclosed with our letter."

"We simply state that the information does not meet with our requirements. If they have unpaid or slow accounts, we tell them."

"We send them a folder explaining all types of accounts."

9. Are all applications taken in the credit office? If not, where?

Credit office only	56	70.00%
Credit office and appliance and furniture departments	11	13.75%
Credit office and selling floor	13	16.25%
Total	80	100.00%

10. Do you permit others than the credit department personnel to discuss credit policies or credit terms?

No	63	78.75%
Yes	17	21.25%
Total	80	100.00%

Remarks:

"We believe in advising all of our employees regarding the intelligent discussion of credit policies and terms, although we prefer them not to go too deep into the subject with the customer."

"We do not permit it but it is done nevertheless."

"We permit salesmen to quote terms in connection with durable goods only."

"No one but credit office personnel can grant credit to any of our customers but all of our employees, sales force in particular, are informed of our policy and discuss it with our customers when called upon to do so."

"We allow our salespeople to quote credit terms but they are not allowed to make any commitments."

"On household appliances our salesmen are allowed to discuss terms as a selling point, however, final arrangements are made in the credit office."

Butterfield's Credit and Collection Letters

● This booklet contains a selection of thirty outstanding letters for credit department use. They are designed for your use with a minimum number of adaptations. Many require only the insertion of your firm name.

● All letters are based on the fundamental fact that friendliness and consideration for the other fellow win his good will and cooperation. You will be able to use these letters in your own business—letters that:

1. Build good will while collecting accounts.
2. Induce cash customers to open accounts.
3. Establish cordial relations with newcomers.
4. Bring inactive accounts back to life.
5. Hold good will while declining credit requests.
6. Win the confidence of new credit patrons.
7. Create customer loyalty by saying "thank you."
8. Develop consumer pride in paying promptly, and
9. Stimulate the use of new charge accounts.

● These thirty effective letters cost you only five cents apiece. Order today.

\$1.50

**NATIONAL RETAIL
CREDIT ASSOCIATION**

Shell Building

St. Louis 3, Mo.

Collection Scoreboard

Compiled by the Research Division

August, 1948

August, 1947

CITIES	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						MEN'S CLOTHING STORES					
	1948			1947			1948			1947			1948			1947			1948			1947		
	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
Atlanta, Ga.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Baltimore, Md.	46.9	51.7	43.3	46.6	49.6	41.7	22.9	29.0	19.5	27.4	39.3	23.3	42.9	45.3	40.0	46.9	50.9	42.9	44.5	46.3	42.6	41.7	42.9	40.5
Birmingham, Ala.	49.5	58.8	40.0	51.8	57.3	49.0	23.2	28.7	19.0	33.1	37.9	28.2	48.7	49.3	48.0	45.7	50.2	42.0	55.8	59.2	52.6	55.5	58.6	52.4
Boston, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cedar Rapids, Ia.	—	62.1	—	65.4	69.9	60.9	—	24.0	—	—	26.2	—	—	82.5	—	86.7	—	68.8	70.3	67.2	70.0	68.3	68.3	—
Cincinnati, Ohio	56.2	61.4	49.5	53.5	69.1	36.4	17.9	26.9	11.2	22.1	30.5	15.8	56.9	59.8	54.1	57.9	61.2	54.7	51.8	60.0	43.6	49.7	59.1	40.4
Cleveland, Ohio	51.5	57.6	50.7	54.5	60.7	42.0	27.9	30.1	22.3	32.7	34.5	30.3	—	—	—	55.0	—	68.3	92.0	44.7	68.3	92.0	44.7	—
Columbus, Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Davenport, Ia.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Denver, Colo.	52.4	59.5	45.4	55.5	59.3	52.7	27.6	30.1	18.1	32.7	36.2	27.7	52.9	56.3	49.5	55.7	56.8	54.6	—	—	—	—	—	—
Des Moines, Ia.	52.4	52.7	52.1	57.4	60.1	54.7	—	—	—	—	—	—	65.1	73.8	56.3	61.9	68.0	55.7	56.9	66.0	47.7	63.8	72.5	55.0
Detroit, Mich.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Grand Rapids, Mich.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kansas City, Mo.	61.7	64.2	60.5	65.1	66.3	60.0	23.1	25.6	20.6	—	29.8	—	61.0	68.1	41.0	61.8	72.1	43.2	61.6	68.1	41.0	61.8	72.1	43.2
Little Rock, Ark.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Los Angeles, Calif.	62.7	66.0	47.3	58.0	65.9	55.7	21.9	24.4	14.0	—	—	—	48.5	62.0	49.0	54.7	58.8	50.6	58.0	68.6	54.1	66.1	77.3	63.1
Louisville, Ky.	48.6	51.5	45.8	49.3	51.3	47.2	20.2	21.6	18.8	27.2	32.4	22.0	42.2	45.8	37.0	43.2	43.6	42.0	50.2	57.1	46.0	53.1	62.0	47.0
Lynn, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Milwaukee, Wis.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Minneapolis, Minn.	62.6	66.6	58.7	61.5	69.9	48.6	28.3	34.6	24.6	32.6	40.3	22.6	63.7	68.1	59.3	72.2	80.0	64.3	61.4	71.2	55.5	70.0	77.4	63.9
New Orleans, La.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
New York, N. Y.	50.1	58.0	48.2	50.4	63.0	39.3	20.8	25.1	16.5	23.2	23.8	22.7	38.9	39.4	38.4	39.8	41.4	38.3	—	61.1	—	—	64.5	—
Oakland, Calif.	53.2	58.7	46.1	62.3	67.2	53.3	25.6	33.2	20.4	29.4	46.8	24.8	—	52.9	—	—	55.8	—	55.4	60.2	39.0	61.5	67.0	38.0
Omaha, Neb.	65.2	73.9	56.6	64.7	75.1	54.2	20.1	26.8	13.4	28.5	40.3	16.6	50.7	60.2	45.0	47.4	53.0	41.8	54.2	54.5	54.0	—	65.0	—
Pittsburgh, Pa.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Providence, R. I.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
St. Louis, Mo.	55.6	56.2	55.0	58.2	59.5	56.8	29.1	31.3	26.9	32.0	36.3	27.8	47.2	55.7	38.7	47.7	56.1	39.2	51.2	53.3	47.7	57.8	58.2	52.7
Salt Lake City, Utah	66.5	70.0	62.8	74.5	83.2	69.5	32.0	34.6	26.8	34.5	38.8	29.0	—	—	—	—	—	—	53.4	57.4	49.5	49.8	57.6	42.0
San Francisco, Calif.	54.0	64.5	45.0	50.9	67.9	53.3	32.9	39.3	29.4	32.3	42.9	27.5	47.4	50.0	36.6	44.9	50.9	37.4	52.9	57.8	48.8	55.1	59.9	48.6
Santa Barbara, Calif.	62.9	70.8	55.6	62.3	72.3	54.0	—	—	—	—	—	—	59.9	65.8	53.7	61.1	69.4	55.0	64.9	68.2	60.6	69.9	74.0	65.6
Sioux City, Ia.	64.3	65.8	64.0	65.5	66.8	64.3	31.2	37.2	25.2	28.4	29.1	27.7	—	71.0	—	61.0	74.0	48.0	68.1	69.0	67.2	63.4	64.9	62.0
Spokane, Wash.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Springfield, Mass.	59.6	63.6	55.6	60.7	66.4	54.9	24.5	25.4	23.5	28.9	31.5	26.3	—	73.7	—	68.6	—	—	57.1	—	—	61.6	—	—
Toledo, Ohio	51.0	56.7	45.8	51.1	55.1	50.6	15.5	20.7	19.3	24.4	30.3	22.6	57.2	57.4	49.0	55.0	55.5	53.6	45.7	50.7	40.7	47.8	50.6	45.0
Tulsa, Okla.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Washington, D. C.	48.2	52.8	45.6	47.9	55.1	42.3	22.7	26.9	17.8	23.1	26.7	17.7	57.2	57.5	49.0	55.0	55.5	53.6	40.7	50.7	40.7	47.8	50.6	45.0
Worcester, Mass.	47.8	55.5	43.9	49.3	57.5	47.5	24.7	37.0	23.9	34.6	45.9	23.9	44.4	53.0	33.2	52.0	66.7	46.0	—	—	—	—	—	—
Youngstown, Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ottawa, Ont.	44.5	52.2	27.1	45.9	63.7	30.6	19.0	46.0	14.1	24.8	37.6	16.2	—	—	—	—	—	—	—	—	—	—	—	—
Vancouver, B. C.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Victoria, B. C.	64.9	73.0	56.9	68.9	69.5	68.4	25.8	26.7	25.0	25.0	36.8	23.3	—	—	—	—	—	—	—	—	—	—	—	—

INSTALLMENT ACCOUNTS receivable of department stores showed a small increase in July and were 68 per cent larger than a year earlier. Collections on installment accounts dropped 4 per cent below the June volume, and represented 23 per cent of installment accounts outstanding at the beginning of the month, a slightly lower ratio than in June. At this rate of collection installment accounts would be outstanding about seven and one-half months, a somewhat longer period than prevailed last year. Charge accounts outstanding were reduced by about the customary amount in July, but still exceeded the year-ago level by

15 per cent. Collections on charge accounts were 2 per cent less than in the preceding month, and the ratio of these collections to accounts outstanding on July 1 declined one point to 51 per cent. The average repayment period for charge accounts outstanding in July was approximately 59 days. The volume of both cash and credit sales declined seasonally from June to July. Cash sales, accounting for 54 per cent of the total, were only slightly above the July 1947 volume. Installment sales showed a year-to-year gain of 39 per cent, and charge-account sales, 11 per cent. —Federal Reserve Board.

Monthly CREDIT STATISTICS



TOTAL CONSUMER CREDIT increased further in July, and at the end of the month is estimated at 14,189 million dollars—a new gain of 61 million. This resulted from the continued growth of instalment credit which was offset in part by the drop in noninstalment credit. Instalment credit was 184 million dollars larger at the end of July than a month earlier. The expansion in automobile sale credit was at a somewhat faster rate than in June, bringing the outstanding balance to 1,691 million dollars on July 31. Instalment loans outstanding increased almost 2 per cent during July, reaching 3,851 million dollars by the month-end. The total was again about 30 per cent higher than on the corresponding date last year. Charge accounts receivable were reduced 162 million dollars—nearly 5 per cent—in July when some decrease is usually expected. At the end of the month this type of indebtedness was almost 15 per cent above the amount outstanding on July 31, 1947.

Ratio of Collections to Accounts Receivable¹

MONTH	INSTALMENT ACCOUNTS				CHARGE ACCOUNTS
	DEPARTMENT STORES	FURNITURE STORES	HOUSEHOLD APPLIANCE STORES	JEWELRY STORES	DEPARTMENT STORES
1941					
December	20	11	12	23	46
1942					
December	31	18	15	30	65
1943					
December	35	22	22	55	63
1944					
December	36	23	30	49	61
1945					
December	36	24	48	46	61
1946					
December	35	26	47	44	54
1947					
January	29	23	47	26	52
June	29	23	46	24	54
December	29	20	39	31	54
1948					
January	24	18	36	19	53
February	23	17	32	18	49
March	27	19	35	20	53
April	25	19	33	20	52
May	24	19	34	20	52
June	24	20	33	20	52
July	23	18	34	19	51

¹Ratio of collections during month to accounts receivable at beginning of month.

CONSUMER INSTALMENT SALE CREDIT, EXCLUDING AUTOMOTIVE

[Estimated amounts outstanding. In millions of dollars]

END OF MONTH OR YEAR	TOTAL EXCLUDING AUTO-MOTIVE	DEPARTMENT STORES AND MAIL-ORDER HOUSES	FURNITURE STORES	HOUSEHOLD APPLIANCE STORES	JEWELRY STORES	ALL OTHER RETAIL STORES
1941	1,805	469	619	313	120	284
1942	1,012	254	391	130	77	160
1943	641	174	271	29	66	101
1944						
June	515	138	237	15	44	81
1945						
June	532	151	237	11	49	84
1946						
June	699	210	299	17	63	110
1947						
January	985	337	352	27	114	155
June	1,155	423	395	36	119	182
December	1,688	650	528	52	192	266
1948						
January	1,616	632	502	52	176	254
February	1,581	624	492	52	164	249
March	1,619	653	497	54	160	255
April	1,609	680	511	60	155	263
May	1,722	703	528	65	155	271
June	1,764	720	541	68	157	278
July	1,786	732	545	72	156	281

DEPARTMENT STORE SALES BY TYPE (Percentage of total sales)

YEAR AND MONTH	CASH SALES	INSTALMENT SALES	CHARGE-ACCOUNT SALES
1941—December	53	6	41
1942—December	61	5	34
1943—December	65	4	31
1944—December	64	4	32
1945—December	64	4	32
1946—December	57	5	38
1947—January	57	6	37
June	55	6	39
December	54	7	39
1948—January	54	7	39
February	53	7	40
March	52	7	41
April	51	8	41
May	52	7	41
June	52	7	41
July	54	8	38

TOTAL CONSUMER CREDIT, BY MAJOR PARTS

[Estimated amounts outstanding. In millions of dollars]

END OF MONTH OR YEAR	TOTAL CONSUMER CREDIT	TOTAL INSTALMENT CREDIT	INSTALMENT CREDIT				SINGLE- PAYMENT LOANS	CHARGE ACCOUNTS	SERVICE CREDIT
			SALES CREDIT			LOANS			
			TOTAL	AUTOMOTIVE	OTHER				
1941	9,899	5,924	3,744	1,942	1,802	2,180	1,601	1,764	610
1942	6,485	2,955	1,491	482	1,009	1,464	1,369	1,513	648
1943	5,338	1,961	814	175	639	1,147	1,192	1,498	687
1944									
June	5,168	1,840	706	192	514	1,134	1,242	1,370	716
1945									
June	5,697	1,987	719	188	531	1,268	1,420	1,544	746
1946									
June	7,762	2,908	1,035	336	699	1,873	1,697	2,327	830
1947									
January	9,783	4,061	1,566	581	985	2,495	2,089	2,764	866
June	10,992	4,918	2,035	880	1,155	2,883	2,271	2,887	916
December	13,385	6,156	2,839	1,151	1,688	3,317	2,697	3,612	920
1948									
January	13,058	6,186	2,818	1,202	1,616	3,368	2,708	3,240	924
February	12,945	6,249	2,835	1,254	1,581	3,414	2,701	3,067	928
March	13,391	6,498	2,996	1,367	1,619	3,512	2,686	3,281	926
April	13,627	6,769	3,137	1,468	1,699	3,632	2,695	3,259	934
May	13,814	6,958	3,258	1,536	1,722	3,700	2,661	3,263	932
June	14,128	7,144	3,366	1,602	1,764	3,778	2,678	3,364	942
July	14,189	7,328	3,477	1,691	1,786	3,851	2,712	3,202	947

Granting Credit in Canada

C. B. FLEMINGTON . . Canadian Correspondent

WATCH YOUR CREDITS

JOHN H. SUYDAM, F.C.I., Canadian Credit Men's Trust Association Ltd., Toronto, Ontario
(Reprinted by permission of *Business Management*)

CREDIT HAS DONE a thousand times more to enrich mankind than all the gold mines in the world." These words, spoken a century ago, by Daniel Webster, are even more applicable today when credit is playing an increasingly important part in our economy. Modern business dealings are founded on credit and without it our complicated economic structure could not possibly function.

Credit is an essential feature in the production and distribution of goods and the rendering of various types of service. The need for it depends upon the line of endeavor engaged in; the amount of capital available; the velocity of the turn-over of both stock and accounts receivable; and the size of the inventory necessary in order that the maximum volume of business be transacted. Primary producers require short-term financing to assist in the transformation of their raw materials into cash and our laws, especially the Bank Act, have been framed to expedite the extension of bank credit, which is admirably fitted for this type of enterprise.

Manufacturers have need of long and short-term credit whereby raw materials and semi-finished goods can be processed into finished products and converted into cash. Mortgages and bond issues are mediums for long-term credit and the self-liquidating feature of their products lends itself to bank accommodation. Wholesalers require credit from the manufacturers and the banks to bridge the gap between the purchase of merchandise and the receiving of payment from the retailers to whom their goods have been sold.

Retailers must be financed to some extent, by their suppliers and, to a limited degree, by the banks, to assist in the purchase of merchandise and its sale to the ultimate consumer. Where credit can be used as a medium for greater volume in the sale of more or less durable goods, especially finance companies play a vital part.

Credit is used by the customer as an aid to financing, or as a convenience, or both. It is the exceptional person who, at times, does not require the loan of money to retire unexpected obligations for which no provision has been made, or to finance, in part at least, the purchase of a worth-while asset. Through the medium of the personal loan departments of the banks and the personal loan companies, his requirements can be met, providing he is worthy of credit. The retail charge account is a convenience, and it also helps to finance, as one month's purchases may be for our next month's income.

Instalment credit almost entirely a financing medium, as the total purchase price is not available at the time the goods are desired. Mass production in various lines

made possible through this plan has reduced the cost of the goods to both cash and credit buyers in excess of the additional expense. The extension of these different kinds of credit is an exchange of goods, services or money for a promise to pay at an agreed future date. This is done with the view of earning interest or an additional profit through increased volume, or both. Whether a profit or a loss results through credit transactions depends, to a considerable extent, on the degree of accuracy in determining the value of the promise in order that excessive bad-debt loss and collection expense are not sustained.

Those engaged in the extension of wholesale credit have improved their technique over the years as evidenced by the decline in both the number of failures and the amount of defaulted liabilities. In 1923 there were 3,408 bankruptcies with liabilities of \$61,617,527.00. Both decreased until the late 20's; increased during the early 30's, and then declined steadily, with the exception of 1939, to a low in 1945 of 155 in number and \$2,219,942.00 in amount.

Credit for this should be given to the increase in efficiency on the part of the credit managers, both wholesale and consumer, not only in their individual efforts, but also in their cooperation with each other in their respective fields. Through the activities of their credit associations, when a new application is received, it may be ascertained, to a considerable extent, what commitments have been made and the manner in which they are being retired. This largely avoids pyramiding of accounts and the encirclement of obligations which is so productive of bad-debt losses.

Excess Demand Over Supply

Credit must also be given to the commercial agencies and credit bureaus for the calibre of their service and, during the war years, to the excess demand over supply. The substantial increase in the earnings of the majority of the people was also a contributing factor. The various readjustment problems which have arisen since the war and the return of keen competition for the consumer's dollar, have brought about a substantial increase in bankruptcies. During the first six months of 1948, for example, they numbered 317, with defaulted liabilities of \$6,260,855.00. The same efficiency and cooperation as in effect prior to the war must again be exercised if abnormal loss is to be avoided.

Those engaged in the extension of consumer credit are also facing problems which were practically non-existent during the war years. The control of consumer credit through Order No. 255 necessitated large down payments and comparatively short duration of instalment contracts, and resulted in the purchasers having a substantial equity in the goods. This tended to assure satisfactory com-

pletion of the contracts, or as an alternative, repossession could be resorted to with little loss. The restrictions on charge account credit also tended to maintain bad-debt and collection expense at a minimum.

Since the rescission of the Order, which was a Dominion war measure, only with no Provincial equivalent, with one exception, competition in down payments and terms has been returning to its pre-war condition. The intensity of this type of competition will increase in proportion to the increase in competition for business as the supply of goods exceed the demand.

Wages of a high percentage of the people in lower income brackets especially, and who form the bulk of the instalment buyers, have not increased in proportion to the rise in the cost of living. This accentuates their need for small down payments and longer terms and also their greater use of this type of credit. During the past two years this has resulted in a substantial increase in the volume of instalment credit and also personal loans. The expansion of consumer credit for either goods or money, has its desirable features, but if carried to an extreme, has a detrimental effect on our economy. During the period when consumer credit is in the process of expansion, business has gained impetus to the extent of the total obligations incurred, yet in no way enables people to buy more than they could for cash and less when account is taken of the additional charges for the accommodation. A \$300.00 purchase made today and payable at the rate of \$25.00 per month, means in the vast majority of cases that purchasing power will be curtailed by this amount during the twelve-month term of the contract.

Providing the purchase has been wisely made, it reacts to the customer's advantage. A system of forced savings has been imposed on him and he has something to show for his money, which, in all probability, would otherwise have been diverted to less essential purposes. This expansion of consumer credit tends to heighten booms and deepen depressions. After the peak has been passed and consumer credit is contracting, the retirement of an accumulation of debts at a lower wage level advances the time when the upswing will take place.

Both wholesale and consumer credit have their uses and abuses, and in the former there has been little grounds for criticism. Consumer credit has a vital part to play in our economy and if both granter and grantee endeavour to keep commitments within reasonable bounds of capacity and the debt structure is not made too great, the benefits derived thereby will outweigh any detrimental features.

The credit granters of Canada are now facing problems which were practically non-existent during the war years. There are clouds in the sky which may indicate a storm and there is evidence of shoals and reefs ahead. It will not be clear sailing on a well-defined course in a smooth and unruffled sea. In steering a safe course for business considerable responsibility is vested in those in charge of credit operations.

In their credit associations, both wholesale and consumer, credit granters have a chart and compass which will be of material assistance whereby without unnecessarily restricting sales, they can avoid the heavy losses which were suffered in the readjustment period following the first world war. ★★★

Credit Bureau Musts

1. Upon completing application for credit, obtain complete report from your Credit Bureau.
2. The necessary data should be furnished to the Bureau, such as:
 - A. First name and second initial of applicant for credit and if married, first name of wife or husband.
 - B. Residence address for past three to five years.
 - C. Position and place of employment for past three years.
 - D. Trade references.
 - E. Bank account and whether checking or savings.
 - F. Whether monthly charge or instalment account.
3. Rush reports should be requested only when absolutely necessary. An unusual number of such requests will seriously affect the service of the Credit Bureau and increase its operating costs.
4. Requests from the Bureau for credit information should be handled with dispatch, to insure:
 - A. Prompt service to inquiring member, and,
 - B. Courtesy to the customer referring to you.
5. Report to the Bureau all slow and unsatisfactory accounts, excess returners of merchandise and customers inclined to over-buy.
6. Charge accounts of customers inactive for more than one year should be checked through the Bureau, to ascertain current credit standing.
7. Look upon your Bureau as you would a key executive and an important department of your business, essential to the successful extension of credit.
8. Cooperate with the Bureau to:
 - A. Improve credit conditions in your community, and,
 - B. Consider it your responsibility to contribute to the success of the Bureau in all its activities.
9. Use your Credit Bureau freely, with the knowledge that money expended for reliable credit reports enables you to extend credit safely and is an investment and not an expense.
10. In an effort to effect savings, do not communicate with references direct. Such information is, as a rule, only partially complete and in the long run, much more costly than the purchase of credit reports on all applicants.



Business Conditions and Outlook

● Fall Prospects Indicates Little Change in the Pace of Business ●

THE FOURTH POSTWAR year has begun with the volume of trade and other phases of business activity being maintained at levels considerably above those of a year ago. The gain over last year is about 10 per cent and the present rate of business is very close to the peak. The output of factories and mines has increased a little less than the gain in the volume of business as measured by total financial transactions but all are holding a very high level. Indications are that this high rate of activity will continue during at least the early fall months and possibly longer. The forces which sustain business are still stronger than the obstacles and the unbalanced conditions such as rising prices which tend to hamper it.

BUSINESS VOLUME continues to be least favorable along the east coast, especially in the North and the South. The least satisfactory area is that around New York City and to a less striking degree throughout much of New England. These conditions are similar to those which have prevailed for many months. Business in those regions is still good but the advances have been slightly less than the national average.

BUSINESS IS ALSO lagging throughout much of the Southeast, but in some districts moderate improvement has taken place during the last month. Especially noticeable have been the increases in the industrial localities in northern Alabama and Georgia. The trend is slightly more favorable in other places of the South than it has been and

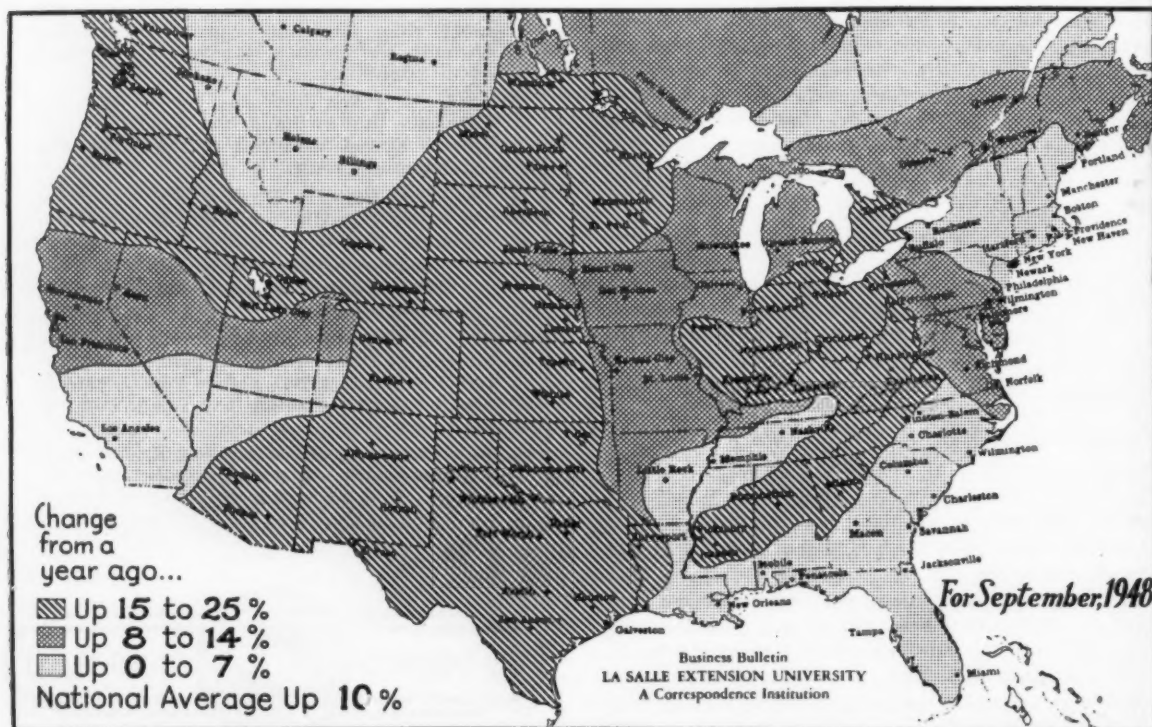
further increases are expected during the fall. The larger cotton crop is a significant factor making for improved conditions.

TRADE IN THE industrial area around the Great Lakes has held up better than the national average, although some slowing down has been reported from scattered areas. Business was unusually high in these places a year ago and even if some reduction does take place, the general level will remain high.

THE LARGE AREA of unusually good conditions is the Middle West, extending down to the southern part of Texas. Near-record crops and high farm prices account for the good showing being made in that part of the country. Improvement over last year is much greater than the national average and prospects indicate a continuation of these conditions.

BUSINESS ACTIVITY along the West Coast has held up well as compared with even the very good conditions last year. The Pacific Northwest has made great gains since a year ago and since the prewar years than has the region in the southern half. These variations are also similar to those which have prevailed for several months.

IN CANADA, the volume of trade and industry has been lagging slightly but it is still not far from the peak. The national average is about 7 per cent higher than it was a year ago.—BUSINESS BULLETIN, La Salle Extension University, Chicago, Ill.



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In The NEWS



GOVERNMENT PRICE EXPERTS say they see little light ahead on the price horizon. They say only a few types of goods have shown signs of dropping recently and that drop has been very small.

WESTERNERS PAY BILLS more promptly. Department store collections in Chicago and San Francisco districts in June equalled close to 62 per cent of outstanding accounts; in Richmond and Atlanta they were slightly over 37 per cent. The national average was 52 per cent.

AVERAGE WEEKLY unemployment benefits have risen from \$10.87 in 1939 to \$17.83 last year, a study by the National Industrial Conference Board shows. This \$17.83, however, will buy only \$11.02 worth of goods at 1935-39 prices, so the unemployed are practically no better off.

RECENTLY, THE HOUSE Ways and Means Committee rejected a proposal to grant 25 million dollars annual tax relief to small corporations earning up to \$75,000 a year. It is reported that the committee felt that the loss of revenue was too great.

THE OMAHA STORES have sponsored a college training program. Merchants will be the teachers at the four-year course beginning soon at the University of Omaha. Their bait to lure students was, "Retailing is not underpaid if you have what it takes."

INSTALMENT ACCOUNTS receivable at jewelry stores declined slightly in July when some decrease is generally indicated, but those at furniture stores continued to rise. Household appliance store outstanding balances, which have increased steadily in recent months, showed a further gain and were about four-fifths above the year-ago level. At both jewelry and furniture stores instalment accounts were well above the amount outstanding on July 31 last year.

PERSONAL INCOME of Americans has reached the highest annual rate in history. The Commerce Department said personal income in June was at an annual rate of \$211,900,000,000. Actual personal income for 1947 was \$195,200,000,000. Personal income includes wage and salary payments, net income of proprietors, dividends, interest, rents received by landlords and other types of individual income.

NINETY PER CENT of the 15,800,000 rural dwellings in the United States are reached by electric power lines. But of these, 1,300,000 are not using them. Expanding television means fewer radio listeners and movie goers.

ALTHOUGH CONSTRUCTION costs are continuing high, more new houses are being built this year than last. New homes being started in the first five months are up 25 per cent over last year.

WHEN AND IF A business slump does come, it probably will occur when most people do not expect it. Recessions have had a way of surprising most businessmen and there is no reason to believe that the next one will be any different. It probably will arrive when most people are optimistic and convinced that boom times are normal times.

WOMEN ARE BETTER credit risks than men, a survey of the Federal Reserve Board indicated. Men's clothing stores wrote off as a bad debt 56 cents out of each \$100.00 worth of credit sales last year, but women's apparel stores showed only a 34-cent loss. Jewelry stores suffered the biggest loss last year—\$1.49 on each \$100.00 in instalment sales. Automobile dealers had the smallest loss—only 14 cents.

CONSUMER INSTALMENT LOANS outstanding at the principal cash-lending institutions rose 2 per cent during July, approximately the same rate at which these balances have increased for the past several months. The total at the month-end was an estimated 3,072 million dollars, nearly 29 per cent greater than on the corresponding date last year. The volume of loans made during the month, 518 million, declined slightly from the June amount, but was about 16 per cent above that in July 1947.

WAGE RATES HAVE BEEN forced up by three primary factors, namely, rising cost of living, sustained demand for industrial products, and a tight labor market.

THE AMOUNT OF MONEY in circulation increased by \$190,188,504 during August to a total of \$28,056,261,859 at the start of September, the Treasury reported. The latest total works out to an average of \$190.96 for each person in the country. That was down from a year ago, however, when the average per person was \$196.74.

TAX COLLECTIONS by federal, state and local governments figured out to an average of \$344.46 for each of the 144,000,000 Americans during the year ended June 30, 1947. The Census Bureau, in reporting this, noted that the Federal Government, as usual, got the lion's share—\$257.36 against \$46.84 for the states and \$40.26 for local governments.

YOU MAY NOW DICTATE your conversations, speeches, etc., on an inexpensive paper tape. The paper is coated with an iron-oxide emulsion, can be used over and over, is easily handled and mailed, and can be erased by use of a magnet.

THE JULY COLLECTION ratio on instalment accounts declined one point at jewelry stores to 19 per cent, and two points at furniture stores to 18 per cent. Collections of household appliance stores were 34 per cent of instalment accounts outstanding on the first of the month as compared with 33 per cent in June.

BUSINESSMEN SEE great possibilities in the experimental efforts of the Weather Bureau to forecast weather for 30 days in advance. If this service proves reasonably accurate, business can plan ahead on matters relating to food storage, fuel oil and gasoline, fishing, medicinals, transportation and others.

WHILE IT WAS conducting its "stop inflation" drive during April, May, and June, the Treasury paid out \$40,000,000 more in redemptions than it took in on E bond sales.

THE TRADITION that Americans are always eager to take risks on investments just isn't so, the Federal Reserve Board reports. In a survey made recently they found that only about 6,000,000 of the nation's 145,000,000 persons own stocks and bonds—not counting Government savings bonds. The great majority of the country's 48,400,000 families prefer to own things with fixed value, like bank deposits and Government bonds, rather than those with changing values, such as real estate and securities.

To do more business profitably, and to help locate "lost customers," always take a complete credit application from all new accounts and check these through your Credit Bureau.

CREDIT EDUCATION

And Your Future



THOUSANDS of young men and women, just getting started in credit department positions, are eager to build for the future by gaining a thorough knowledge of sound credit procedure. Each week many are beginning the independent study of practical N.R.C.A. books that cover all the essentials of effective credit management.

Throughout the United States and Canada credit schools are also being planned for the coming months. These courses will vary in length from three to eight evening sessions. Each lecture and discussion in the series will be conducted by a person well qualified, through both study and experience, to handle an essential phase of credit management. Here, again, N.R.C.A. books written especially for retail credit department personnel will afford a practical basis for individual study in connection with credit-school programs.

It was apparent that during the winter of 1947-1948 credit education would reach its all-time peak. As a result, the N.R.C.A. publishing program from January through September of last year exceeded that of any previous year in the history of this Association. Three new books and revised editions of two others have come from the N.R.C.A. press in 1947. A new book, *Retail Credit Management* by Dr. Clyde Wm. Phelps, is now in course of preparation and we hope to have it ready for Credit Schools early in 1949. Today the "National" offers the following selection of up-to-the-minute books on vital aspects of credit management—books that will simplify and accelerate credit education:

Important Steps in Retail Credit Operation, by Dr. Clyde William Phelps, 1947, price \$1.50.

Retail Credit Fundamentals, by Dr. Clyde William Phelps, revised edition 1947, price \$5.00.

Streamlined Letters, by Waldo J. Marra, 1940, price \$5.00.

How to Write Good Credit Letters, by William H. Butterfield, enlarged edition 1947, price \$2.25.

Credit and Collection Letters, by William H. Butterfield, 1947, price \$1.50.

The Promotion and Control of Retail Credit, by Dean Ashby, 1947, price \$2.00.

Whether you are interested in organizing a credit school for your community or in planning a credit-education program for personal study, the N.R.C.A. will welcome an opportunity to cooperate with you.

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